

# **EQUITY INVESTMENTS**

## **Permissible For National Banks**

As of April 1, 1999

### **Agricultural Credit Corporations.**

Bank may purchase for its own account stock of a corporation organized for the purpose of making loans to farmers and ranchers for agricultural purposes. The bank's investment in such agricultural credit corporation at any one time shall not exceed 20% of the bank's unimpaired capital and surplus, unless the bank owns at least 80% of the corporation. Such investment is also subject to certain notification, review, and approval procedures. 12 U.S.C. § 24(Seventh); 12 C.F.R. § 5.36.

### **Bank Premises.**

(See also Real Estate Necessary for Transaction of Business).

Bank may invest in bank premises or in a corporation holding the bank premises. Real estate for bank premises may be held either directly by the bank or through subsidiaries or affiliates. Bank may own a non-controlling interest in a limited liability company which acquires, develops, and manages real property for use as bank premises. 12 U.S.C. §§ 29, 37(d); 12 C.F.R. § 5.37, 7.1000; OCC Conditional Approval No. 298, 1998 WL 954053 (December 15, 1998).

### **Bank Service Companies.**

Bank may invest in bank service companies subject to certain conditions and limitations. The amount invested may not exceed 10% of the bank's paid-in and unimpaired capital and unimpaired surplus, and not more than 5% of the bank's assets may be invested in bank service companies. 12 U.S.C. § 1862; 12 C.F.R. § 5.35.

### **Bank's Own Stock (Treasury Stock).**

Bank may purchase or hold shares of its own stock if necessary to prevent loss upon a debt previously contracted. The stock may be held for no more than six months. 12 U.S.C. § 83. National bank has authority to hold treasury stock to fulfill a legitimate corporate need so long as bank complies with 12 U.S.C. § 59. Holding treasury stock for speculation or as a means of bypassing federal law is prohibited. Interpretive Letter No. 660, 1994 WL 807959 (December 19, 1994). 12 C.F.R. 7.2020. Bank may repurchase stock of shareholders and hold it as treasury stock available to employees in connection with an employee stock purchase plan. Interpretive Letter No. 825, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-274, 1998 WL 204717 (March 16, 1998); Interpretive Letter No. 660, reprinted in [1994-1995] Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,608, 1994 WL 807959 (December 19, 1994). A bank may purchase its own stock and complete a reverse stock split if state law contains reasonable dissenters' rights and the bank has a legitimate business purpose. The bank's intent to become a Subchapter S corporation and to reduce expenses associated with shareholder communications and meetings are legitimate business purposes. Interpretive Letter No. 786, reprinted in [1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-213 (June 9, 1997).

### **Bankers Bank Stock.**

Bank may invest in stock of an FDIC-insured bank or of a holding company which owns or controls an insured bank that is exclusively owned by depository institutions (excepting requisite directors' qualifying shares), which exclusively provides depository institution related services. The bank's investment in any bank or holding company is limited to 10% of the bank's capital stock and paid-in and unimpaired surplus, and the bank shall not acquire more than 5% of any class of voting securities in such bank or holding company. 12 U.S.C. §§ 24(Seventh), 27(b).

## **Business Trust.**

Bank may own a majority interest in a business trust created for the purpose of holding and managing bank's investment portfolio. Interpretive Letter No. 745, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-110, 1996 WL 636766 (August 27, 1996).

## **Community Development Investments.**

Bank may have an equity interest in projects that primarily benefit low and moderate income individuals and areas, such as housing, community services, permanent jobs, financing for small businesses and area revitalization. Such bank investment may not exceed 2% of its capital and surplus and its aggregate investment in all such projects may not exceed 5% of its capital and surplus (10% with approval of Comptroller). 12 U.S.C. § 24(Seventh); 12 C.F.R. § 24; OCC Banking Bulletin 96-56, 1996 WL 622570 (Oct. 17, 1996); OCC Banking Bulletin 96-4, 1996 WL 33145 (Jan. 11, 1996); OCC Banking Bulletin 94-66, 1994 WL 757349 (Dec. 13, 1994); Interpretive Letter No. 837, 1998 WL 663324 (Sept. 4, 1998); Interpretive Letter No. 795, 1997 WL 578339 (Aug. 14, 1997); Interpretive Letter No. 765, 1996 WL 768192 (Dec. 24, 1996); Interpretive Letter No. 727, 1996 WL 413687 (Jun. 27, 1996); Interpretive Letter No. 703, reprinted in Fed. Banking L. Rep. (CCH) ¶ 81,018, 1996 WL 89322, 1996 OCC Ltr. LEXIS 100 (Jan. 25, 1996).

## **Convertible Securities.**

Bank may purchase securities convertible into stock provided that convertibility is not at the option of the issuer. 12 C.F.R. § 1.6.

## **Corporations - Non-Controlling Interest.**

Bank may own a non-controlling interest in a corporation, provided it satisfies applicable standards. OCC Conditional Approval No. 269 (January 13, 1998); Interpretive Letter No. 805 (October 9, 1997); Interpretive Letter No. 732, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-049, 1996 WL 413710 (May 10, 1996); OCC Conditional Approval No. 236 (April 3, 1997); Interpretive Letter No. 692, reprinted in [Current Transfer Binder] Fed. Banking Law Rep. (CCH) ¶ 81,007 (Nov. 1, 1995); Interpretive Letter No. 694, reprinted in [Current Transfer Binder] Fed. Banking Law Rep. (CCH) ¶ 81,009 (Dec. 13, 1995); Interpretive Letter No. 697, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-012, 1995 WL 788089 (November 15, 1995); Interpretive Letter No. 705, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-020, 1995 WL 841685, 1995 OCC Ltr. LEXIS 209 (October 25, 1995).

## **Electronic Bill Presentment.**

OCC Conditional Approval No. 304 (March 5, 1999), approved a minority investment in limited liability companies that will offer electronic bill payment and presentment services through the Internet. The OCC found that electronic bill presentment is part of the business of banking. OCC has long held that billing and collection services are permissible for national banks, whether done conventionally or electronically. The OCC has also recognized that as part of an electronic collection or payment process, national banks may store and transmit information related to the underlying transactions, such as data

interchange.

### **Equity Kickers.**

Bank may take as consideration for a loan a share in the profit, income or earnings from a business enterprise of a borrower. 12 C.F.R. § 7.1006.

### **Equity Securities In Connection with DPC.**

Bank may hold securities acquired in good faith by way of compromise of a doubtful claim or to avoid a loss in connection with a debt previously contracted ("DPC").

12 U.S.C. § 29 (Authority for national banks to acquire real estate DPC); 12 U.S.C. § 24(Seventh) (incidental powers clause); Interpretive Letter No. 643, reprinted in Fed. Banking L. Rep. (CCH) ¶ 83, 551, 1992 WL 606752 (July 1, 1992); Interpretive Letter No. 511, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,213, 1990 WL 364897 (June 20, 1990).

### **Federal Agricultural Mortgage Corporation Stock.**

Bank may purchase stock in the Federal Agricultural Mortgage Corporation, subject to certain limitations. Interpretive Letter No. 427, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,651, 1988 WL 282345 (May 9, 1988).

### **Federal Agricultural Mortgage Corporation Subordinated Debt.**

Banks may purchase subordinated debt of Federal Agricultural Mortgage Corporation, subject to safety and soundness guidelines. Interpretive Letter No. 663, reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,611 (June 8, 1995).

### **Federal Home Loan Mortgage Corporation Stock.**

Bank may underwrite, deal in, and purchase for its own account preferred stock of the FHLMC issued under 306(f) of the Federal Home Loan Mortgage Corporation Act, taking into consideration the supervisory policies outlined by the OCC. Interpretive Letter No. 577, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,347, 1992 WL 198431 (April 6, 1992).

### **Federal National Mortgage Association Stock (FNMA).**

Bank may own stock in FNMA. 12 U.S.C. § 1718(d).

### **Federal Home Loan Bank Stock.**

Bank may own shares of stock issued by a Federal Home Loan Bank subject to limitations in 12 U.S.C. § 1424(a). 12 U.S.C. §§ 1424, 1426. Bank may purchase shares of stock issued by a Federal Home Loan Bank in excess of the minimum required for FHLB membership, provided the stock purchases support the bank's plans to fund residential housing finance assets. Interpretive Letter No. 755, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-119, 1996 WL 697570 (October 3, 1996).

### **Foreign Bank Stock.**

Bank may hold stock of a foreign bank. 12 U.S.C. §§ 601, 603; 12 C.F.R. § 211.5.

### **Government Securities Clearing Corporation.**

Bank may invest (purchase shares) in the Government Securities Clearing Corporation, a subsidiary of National Securities Clearing Corporation. Interpretive Letter No. 421, reprinted in

[1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,645, 1988 WL 282350 (March 14, 1988).

### **Holding Collateral Stock as Nominee.**

Bank may accept transfer as nominee of stock of another bank or other corporation to be held by it as collateral. 12 C.F.R. § 7.1009.

### **Housing Development Corporations.**

Bank may purchase stock for its own account in corporations created pursuant to Title IX of the Housing and Urban Development Act of 1968, the purpose of such corporations being to provide low - and moderate - income housing. 12 U.S.C. § 24(Seventh).

### **Limited Liability Corporations.**

Bank may own a non-controlling interest in a limited liability corporation, provided it satisfies applicable standards. Interpretive Letter No. 842 [September 28, 1998]; Interpretive Letter No. 737, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (C.H.) ¶ 81-101, 1996 WL 544181 (August 19, 1996); Interpretive Letter No. 692, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (C.H.) ¶ 81-007, 1995 WL 694130 (November 1, 1995); Interpretive Letter No. 694, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (C.H.) ¶ 81-009, 1995 WL 788084 (December 13, 1995).

### **Money Market Preferred Securities.**

Bank may invest in money market preferred securities as Type III securities, subject to the applicable rating and marketability requirements of 12 C.F.R. Part 1. 12 U.S.C. § 24; 12 C.F.R. §§ 1.2(e), (k); Interpretive Letter No. 781, reprinted in [1997 Transfer Binder] Fed. Banking L. Rep. (C.H.) ¶ 81-208, 1997 WL 735818 (April 9, 1997).

### **Mortgage Related Securities.**

Bank is generally allowed to purchase mortgage-related securities (12 U.S.C. § 24(Seventh)) and may therefore invest in mutual funds which own eligible mortgage-related securities. Investment Securities Letter No. 15, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,885, 1987 WL 364010 (February 11, 1987).

### **Municipal Buildings.**

Bank may purchase or construct a municipal building, school building or similar public facility and lease buildings to municipality. 12 C.F.R. § 7.1000(d).

### **Municipal Revenue Bonds**

See "Revenue Bonds-Underwriting."

### **Mutual Fund Shares.**

Bank may purchase for its own account shares of investment companies provided that the portfolios of such companies consist solely of obligations which are eligible for investment by a national bank pursuant to 12 U.S.C. § 24(Seventh). Shares of investment companies whose portfolios contain investments which are subject to the limits of 12 U.S.C. § 24 or 12 U.S.C. § 84 may only be held in an amount not in excess of 10% of bank capital and surplus. OCC Banking Circular 220, reprinted in Fed. Banking L. Rep. (CCH) ¶ 49,102, 1986 WL 181421 (November 21, 1986).

### **National Housing Partnerships.**

Bank may invest in partnerships, limited partnerships, or joint ventures formed pursuant to section 907(a) or 907(c) of the Housing and Urban Development Act of 1968, the

purpose of such partnerships being to provide low-and moderate-income housing. 12 U.S.C. § 24(Seventh); OCC Banking Circular 21, reprinted in [1966-1973 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 95,264, 1970 WL 12099 (January 14, 1970); Banking Circular 21, Supp. 1, 1973 WL 20885 (January 29, 1973); Banking Circular 21, Supp. 2, 1973 WL 20886 (November 30, 1973).

### **Operating Subsidiaries.**

Bank may establish or acquire an operating subsidiary to conduct, or may conduct in an existing subsidiary, activities that are part of or incidental to the business of banking. The parent bank must own more than 50% of the subsidiary's voting stock or otherwise control the subsidiary with no other party owning more than 50% of the subsidiary's voting stock. 12 U.S.C. § 24(Seventh); 12 U.S.C. § 93a; 5 C.F.R. § 5.34.

### **Other Real Estate Owned.**

Other real estate owned may be an equity investment. Such other real estate owned is subject to the five-year holding limitation of 12 U.S.C. § 29. 12 U.S.C. § 29; 12 C.F.R. § 34.81-34.87.

### **Payroll Processing Companies.**

Bank may own a non-controlling minority interest in a corporation providing payroll processing services to bank's commercial customers. Interpretive Letter No. 771, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-135, 1997 WL 164026 (February 24, 1997).

### **Performance Note Loans.**

Banks may purchase Performance Note Loans issued by affiliates of private mortgage insurers. Interpretive Letter No. 833, reprinted in [1998-1999 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-288 (July 8, 1998).

### **Public Purpose Corporation Stock.**

Bank may invest in stock of a public purpose corporation, either for-profit or nonprofit, to carry out activities to benefit low- and moderate-income areas and residents or small businesses. Interpretive Letter No. 701, reprinted in Fed. Banking L. Rep. ¶ 81,016, 1996 WL 396692 (February 1996). OCC Banking Bulletin 92-37, reprinted in Fed. Banking L. Rep. (CCH) ¶ 59,349 and 89,065, 1992 WL 373848 (July 8, 1992).

### **Purchase of Real Property to Secure Debt Previously Contracted.**

Bank may purchase real property in order to protect a partial interest or title that was acquired to secure debt previously contracted ("DPC"). Interpretive Letter No. 12, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH.) ¶ 85,087, 1977 WL 23307, 1977 OCC Ltr. LEXIS 92 (December 7, 1977).

### **Real Estate Necessary for the Transaction of Business.**

Bank may invest in real estate necessary for the transaction of its business. 12 U.S.C. § 29 (First); 12 C.F.R. § 7.1000(a). Real property may be acquired and held by any reasonable means and may be held through one or more subsidiaries. 12 C.F.R. § 7.1000(a)(3). Real Estate necessary for the transaction of business includes:  
Premises owned and occupied by the bank, its branches or its subsidiaries. 12 C.F.R. § 7.1000(a)(2)(i); 12 U.S.C. § 371d; 12 C.F.R. § 7.1000(c); Real Estate acquired and intended for use

in future expansion; 12 C.F.R. § 7.1000(a)(2)(ii); Parking facilities used by bank customers or employees, branches or subsidiaries. 12 C.F.R. § 7.1000(a)(2)(iii); Residential property for use of bank officers or employees located in remote areas where suitable housing is not readily available or who are temporarily assigned to a foreign country. 12 C.F.R. § 7.1000(a)(2)(iv); Property for use of bank officers, employees or customers, or temporary lodging for such persons, provided the purchase qualifies as a deductible business expense for Federal tax purposes. 12 C.F.R. § 7.1000(a)(2)(v); Fixed assets necessary for the transaction of business, including fixtures, furniture, and data processing equipment. 12 C.F.R. § 7.1000(b); Other real property, including lease financing of public facilities, provided the lessee becomes the owner of the property upon expiration of the lease, and purchase of an employee's residence to spare a transferred employee loss in the prevailing real estate market. 12 C.F.R. § 7.1000(d); Interpretive Letter No. 847, 1998 WL 901552 (October 28, 1998). In order to properly divest itself of its entire interest in former bank premises, bank may assign the remainder of a leasehold. Interpretive Letter No. 491, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (C.H.) ¶ 83,074, 1989 WL 303695, 1989 OCC Ltr. LEXIS 88 (September 6, 1989).

### **Safe Deposit Corporations.**

Bank may invest in the capital stock of a corporation organized under state law to conduct a safe-deposit business, provided that the investment does not exceed 15% of the unimpaired, paid-in capital stock of the bank, and 15% of its unimpaired surplus. 12 U.S.C. § 24(Seventh).

### **Small Business Investment Company Stock.**

Bank may purchase small business investment company stock to the extent that the aggregate of all shares of such stock does not exceed 5% of the bank's capital and surplus. The bank's receipt and retention of a dividend in the form of stock of a corporate borrower of the small business investment corporation is not a purchase of stock within the meaning of 12 U.S.C. § 24. 15 U.S.C. § 682(b); 12 C.F.R. § 7.1015; Bank may invest in small business investment company while it is still in organization. Interpretive Letter No. 832 (June 18, 1998).

### **State Housing Corporations.**

Bank may invest in shares of stock issued by any State housing corporation incorporated in the state in which the bank is located to the extent such investments do not exceed 5% of the bank's unimpaired, paid-in capital stock, plus 5% of its unimpaired surplus. 12 U.S.C. § 24(Seventh).

### **Stock in Company Affiliated with Captive Insurer.**

Bank may purchase shares of stock in a company affiliated with an industry captive insurance company when such purchase is a condition precedent to obtaining insurance from the captive. Interpretive Letter No. 554, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,301, 1990 WL 364931 (May 7, 1990).

### **Stock Acquired As Debt Satisfaction.**

Bank may acquire stock in satisfaction of debts previously contracted, as this acquisition is incidental to the business of banking. Subject to 5-year holding limitation. Interpretive Letter, 1993 WL 740929 (July 1, 1993); Interpretive Letter No. 518, reprinted in Fed. Banking L. Rep. ¶ 83,229, 1990 WL 541789 (April 6, 1990); Interpretive Letter No. 151, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 86,232, 1980 WL 42023 (June 27, 1980).

## **Tax Lien Certificates**

Bank may purchase tax lien certificates. Interpretive Letter No. 717, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-032 (March 22, 1996).

## **Trust Bank Stock.**

Bank may establish an operating subsidiary to serve as general partner in a partnership that will own a trust company. Interpretive Letter No. 697, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-012 (November 15, 1995). A bank can acquire a minority interest in a limited purpose trust bank. Interpretive Letter No. 831, reprinted in, [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-285 (June 8, 1998).

## **Trust Preferred Securities.**

Bank may invest in trust preferred securities as Type III securities, subject to the applicable rating and marketability requirements of 12 C.F.R. § 1. 12 U.S.C. § 24; 12 C.F.R. §§ 1.2(e), (k); Interpretive Letter No. 777, reprinted in [1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-204, 1997 WL 206051 (April 8, 1997).

# **ACTIVITIES PERMISSIBLE For National Banks And Their Subsidiaries As of April 1, 1999**

## **Acceptances.**

The making of acceptances is an essential part of banking authorized by 12 U.S.C. § 24. 12 C.F.R. § 7.1007. Bank is not limited in the character of acceptances it may make in financing credit transactions. Accepting bank may create, buy and sell acceptances created by any bank in a transaction with any party in any denomination and a non-accepting bank may purchase an acceptance of any denomination for resale to any party, including fractional interests, provided that the rights conveyed are at least equivalent to those provided in the underlying documents. A sale of a small participation in eligible acceptances may be subject to Regulation D unless pro rata ownership rights to the acceptance have been effectively transferred to the purchaser. Interpretive Letter No. 272, reprinted in [1983-1984 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,436, 1983 WL 54157, 1983 OCC Ltr. LEXIS 9, (August 4, 1983); Interpretive Letter No. 268, reprinted in [1983-1984 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,432, 1983 WL 54154, 1983 OCC Ltr. LEXIS 10, (August 4, 1983)

## **Acting as Finder.**

Bank may act as a finder. Finder activities include, but are not limited to, identifying potential parties, making inquiries as to interest, making introductions or arranging meetings of interested parties and otherwise bringing parties together for a transaction that the parties themselves negotiate and consummate. It does not include broker activities. Unless otherwise prohibited, the bank can advertise and accept fees for these activities. 12 C.F.R. § 7.1002.

### **Acting as Finder for Automobile Club Memberships.**

Sales of memberships as agent for an automobile club and receipt of payment for the club's services are not permissible bank activities. However, the bank may charge the automobile club a fee for acting as finder by informing bank customers of the automobile club's services, or can sell bank customer lists to the automobile association. No Objection Letter No. 89-02, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,014, 1989 WL 303771, 1989 OCC Ltr. LEXIS 25 (April 17, 1989); 12 C.F.R. § 7.1002.

### **Acting as Finder for Automobile Sales.**

Bank may act as finder for automobile sales and financing through database, call center and internet services. 12 C.F.R. §§ 7.1002 and 7.1019; Interpretive Letter No. 741, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-105, 1996 WL 544201 (August 19, 1996); OCC Corporate Decision No. 97-60 (July 1, 1997).

### **Acting as Finder for Health Care Programs.**

Bank may acquire operating subsidiary providing medical insurance cost information, benefits counseling, premium collection and disbursement and related activities. OCC Corporate Decision No. 98-13, 1998 OCC Ltr. LEXIS 20 (Feb. 9, 1998).

### **Acting as Finder for Internet Vendors.**

Bank may act as finder by providing to customers links to non-banking, third party vendors' internet websites. 12 C.F.R. § 7.1002; OCC Conditional Approval No. 221, 1996 WL 742689 (December 4, 1996); Interpretive Letter No. 611, reprinted in [1992-1993 Transfer Binder] Fed. Banking Law Rep. (CCH) ¶ 83,449 (Nov.23, 1992).

### **Acting as Finder for Insurance.**

Bank may provide finder services for homeowners insurance. Interpretive Letter No. 472 [March 2, 1989]; Bank may act as finder for insurance products. Interpretive Letter No. 653 [December 22, 1994]. To identify permissible national bank finder arrangements in the insurance context (as an alternative to section 92 authority), the OCC considers: (1) the scope of the proposed activities; (2) the existence or absence of another insurance agent or broker in the arrangement; (3) whether the bank has a contractual relationship with an insurance company for selling its products, and if so, the nature of the relationship; and (4) the bank's compensation arrangement for the proposed activities. Interpretive Letter No. 824, reprinted in, [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-273 (February 27, 1998).

### **Acting as Finder for Investment Advisory Services.**

Bank may act as finder by referring bank customers to investment advisors. Interpretive Letter No. 850 (January 27, 1999), reprinted in [Current Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-305, 1999 WL 74098 (January 27, 1999); The Interagency Statement on Retail Sales of Nondeposit Investment Products (February 15, 1994), 7 Fed. Banking L. Rep. (CCH) ¶70,101.

### **Acting as Finder to Provide Commercial Web Site Hosting Services.**

A national bank can host commercially enabled web sites for small retailers as it is a form of electronic "finder" activity. Interpretive Letter No. 856, reprinted in, [Current Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-313 (March 5, 1999). This service will enable a retailer to operate a web site that can receive and process credit card orders for its merchandise over the Internet. The bank will establish, register, and host the web site in the name of the



retailer. It will also store the data representing the retailer's online catalog and provide periodic reports to the retailer of site related activities. Finally, the bank will also provide associated payments and deposits services resulting from web-based transactions.

### **Adjustable Rate Mortgages.**

Bank and its subsidiaries may make, sell, purchase, participate in or otherwise deal in ARM loans without regard to State limitations. 12 C.F.R. §34.21(a). See 12 C.F.R. §34.22 for certain limitations on making ARM loans and 12 C.F.R. §34.21 for limitations pertaining to the purchase of certain ARM loans. Bank may impose prepayment fees despite contrary State law. 12 C.F.R. §34.23. The 12 C.F.R. §34.20 definition of adjustable rate mortgage includes shared appreciation mortgages (loan secured by real estate where borrower agrees to pay, in addition to principal and a stated rate of interest, an amount equal to an agreed percentage share in the net appreciation of the property). Interpretive Letter No. 785, reprinted in [1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,212 (June 3, 1997), 1997 WL 361231.

### **Advances Necessary to Preserve Business Acquired to Secure DPC.**

Bank can make necessary advances to run a business and thereby preserve its going value when the business was acquired to secure or collect debt previously contracted ("DPC"), but it may not enter into a joint venture to operate such property. 12 U.S.C. § 29; 12 C.F.R. § 34.86; Interpretive Letter No. 576, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,346, 1992 WL 125222, 1992 OCC Ltr. LEXIS 9 (March 27, 1992); Interpretive Letter No. 12, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,087, 1977 WL 23307, 1977 OCC Ltr. LEXIS 92 (December 7, 1977).

### **Advertising.**

Bank may advertise any service it lawfully offers. Franklin Natl. Bank v. New York, 347 U.S. 373,377-378, (1954). Bank may advertise its finder's services. 12 C.F.R. §7.1002., Interpretive Letter No. 648, reprinted in [1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,557, 1994 WL 269169 (May 4, 1994) (providing advertising and marketing support relating to mutual funds is an integral part of permissible brokerage and advisory services and therefore part of or incidental to the business of banking); Interpretive Letter No. 622, reprinted in [1993-1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,504, 1993 OCC Ltr. LEXIS 21, 1993 WL 209646 (April 9, 1993), (making lobby materials available on services, placing newspaper advertisements, sending statement stuffers and providing other descriptions of the services available are permissible). Interpretive Letter from William Glidden, Assistant Director, Legal Advisory Services Division (unpublished)(January 14, 1988) (furnishing prospectus or sales literature on funds upon request, having advertisements and brochures listing mutual funds available through the bank and the bank's services are permissible).

### **Affiliate Commercial Paper - Sale.**

Bank may sell an affiliate's commercial paper. Interpretive Letter No. 627, reprinted in [1993-1993 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,510 (July 13, 1993), 1993 WL 431573, 1993 OCC Ltr. LEXIS 34, (federal branch may distribute commercial paper issued by its wholly-owned subsidiary); No Objection Letter No. 87-3, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶84,032, 1987 OCC Ltr. LEXIS 5 (March 24, 1987) (bank may sell notes of its parent holding company); Interpretive Letter No. 24, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶85,099, 1978 WL 21824, 1978 OCC Ltr. LEXIS 39 (February 24, 1978) (bank may sell affiliate paper). Section 204.1 of the Comptroller's Handbook for National Bank Examiners.

### **African Development Bank Obligations - Purchase, Dealing, and Underwriting.**

Obligations of the African Development Bank are classified as Type II securities. 12 C.F.R. §1.2(j)(2). Bank may deal in, underwrite, purchase and sell Type II securities for its own account, provided the aggregate par value of Type II securities issued by any one obligor does not exceed 10% of the bank's capital and surplus as defined in 12 C.F.R. §1.2(a). 12 C.F.R. §1.3(b). (This 10% limitation may be exceeded under certain circumstances.) 12 C.F.R. §1.3(d).

### **Agent for Deposit Placement.**

Bank may place deposits as agent for its customers with other financial institutions pursuant to 12 U.S.C. §24 (Seventh). Investments Securities Letter No. 32, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,038, 1988 WL 284919, 1988 OCC Ltr. LEXIS 134 (December 2, 1988); Interpretive Letter No. 778, reprinted in [1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,205, 1997 WL 268970 (March 20, 1997), (placing deposits at foreign banks on behalf of customers on an agency basis and offering this service over the internet).

### **Agent for Purchasing or Selling Real Estate Limited Partnership Interests.**

Bank may act as agent in the purchase and sale of financial investment instruments such as real estate limited partnership interests. If the financial investment instrument is a security covered by the Glass-Steagall Act, then §16 of that Act specifically authorizes banks to buy and sell them as agent for customers. If the financial instrument is not covered by the Glass-Steagall Act, then it is authorized by the "business of banking" charter power. Interpretive Letter No. 420, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,644, 1988 WL 282351, 1988 OCC Ltr. LEXIS 20, (March 14, 1988).

### **Agent for Purchasing or Selling Government Securities.**

Bank may act as agent in the purchase and sale of government securities. Unless exempted by one of the provisions of 17 C.F.R. § 401, a bank acting as a government securities broker or dealer, unless already registered as a broker or dealer, must register with the Securities and Exchange Commission and file a notification with its regulatory agency. 17 C.F.R. §400.1(b) and (d). Bank must also comply with the record keeping and confirmation provisions of 12 C.F.R. § 12, unless the bank has an average of fewer than 500 government securities brokerage transactions per year for customers over the prior 3 calendar year period, in which case, the bank is not required to comply with 12 C.F.R. §12.3 in connection with its brokerage activities. 12 C.F.R. §12.1(c)(2)(ii). If bank is required to file notice as a government securities broker or dealer, it is required to comply with the provisions of 12 C.F.R. § 13. 12 C.F.R. §13.1.

### **Agent for Service of Process.**

Subsidiary of bank may act as agent for service of process on behalf of bank and/or its affiliates as furnishing of services of this nature for a bank or its affiliates is part of or incidental to the business of banking. Corporate Decision No. 97-14, 1997 OCC Ltr. LEXIS 9 (March 4, 1997); 12 C.F.R. 5.34(e)(2)(ii)(B).

### **Alternate Media (Attraction Tickets, Phone Cards, Event Tickets)**

Bank may dispense "alternate media" (any medium of value, receipt or document that is not coin or currency such as public transportation tickets, event and attraction tickets, gift

certificates, prepaid phone cards, promotional and advertising materials, electronic benefits transfer script and credit and debit cards) from its CBCT branches. Interpretive Letter No. 718, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,033, 1996 WL 223691, 1996 OCC Ltr. LEXIS 26, (March 14, 1996).

## **Annuities - Sale.**

Bank may serve as agent in the sale of fixed, variable and hybrid annuities. NationsBank of North Carolina, N.A. v. Variable Life Ins. Co., 513 U.S. 251 (1995) (sale of annuities as agent is an activity incidental to banking under 12 U.S.C. 24 (Seventh); Interpretive Letter No. 753, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,107, 1996 WL 655026, 1996 OCC Ltr. LEXIS 134, (November 4, 1996) Interpretive Letter no. 475, reprinted in [1989-1990 transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,012, 1989 WL 303678, 1989 OCC Ltr. LEXIS 24 (March 22, 1989); Interpretive Letter No. 331, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,501, 1985 WL 73124, 1985 OCC Ltr. LEXIS 9 (April 4, 1985); Interpretive Letter No. 499, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,090, 1990 WL 364892, 1990 OCC Ltr. LEXIS 1 (February 12, 1990).

## **Appraisals.**

Bank may perform real estate appraisals in connection with both the bank's loans and loans made by other financial institutions. Interpretive Letter No. 467, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,646, 1989 WL 303675, 1988 OCC Ltr. LEXIS 10 (January 24, 1989); Bank may perform an appraisal for the occasional customer who requests one even though there is no associated loan transaction. Corporate Decision No. 98-25, 1998 OCC Ltr. LEXIS 43 (April 1, 1998); 12 C.F.R. § 34.45(a).

## **Arbitrage.**

Bank may engage in arbitrage activities relating to financial instruments which bank may purchase and sell for its own account and/or those in which the bank may underwrite and deal, subject to the limitations set forth in the Interpretive Letters approving the activities and Banking Circular 277. Interpretive Letter No. 422, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,646, 1988 OCC Ltr. LEXIS 28, 1988 WL 282349 (April 11, 1988); 1993 OCC CB LEXIS 101 (October 27, 1993).

## **Armored Car Service (Messenger/Courier Service)**

Bank may establish and operate a messenger service (any service such as a courier service or armored car service) or use any third party messenger service to transport items relating to the bank's transactions with its customers without regard to the branching limitations set forth in 12 U.S.C. 36, provided the service does not engage in branching functions within the meaning of 12 U.S.C. 36 (j). 12 C.F.R. §7.1012.

## **Asian Development Bank Obligations - Purchase, Dealing, and Underwriting.**

Obligations of the Asian Development Bank are classified as Type II securities. 12 C.F.R. §1.2(j)(2). Bank may deal in, underwrite, purchase and sell Type II securities for its own account, provided the aggregate par value of Type II securities issued by any one obligor does not exceed 10% of the bank's capital and surplus as defined in 12 C.F.R. §1.2(a). 12 C.F.R. §1.3(b). This 10% limitation may be exceeded under certain circumstances. 12 C.F.R. §1.3(d).

## **ATM Services.**

Bank may offer vault, lock and ATM services to other financial institutions as correspondent services. No-Objection Letter No. 90-3, reprinted in [1990-1991 Transfer Binder] Fed Banking L. Rep. (CCH) ¶ 83,207, 1990 WL 364783, 1990 OCC Ltr. LEXIS 24 (May 2, 1990). Bank ATMs may dispense “alternative media,” e.g., public transportation and event tickets, gift certificates, prepaid phone cards. Interpretive Letter No. 718, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-033 (March 14, 1996).

## **Automatic Payment Plan Accounts.**

Bank may adopt an automatic payment plan under which a savings account will earn dividends at the current rate paid on regular savings accounts. The depositor upon reaching a pre-set age receives accumulated savings and earned interest in installments of equal amounts over a specified period. 12 C.F.R. §7.1018.

## **Automated Teller Machine (“ATM”) Networks**

Bank may participate in and operate an ATM network. Conditional Approval No. 285, 1998 OCC Ltr. LEXIS 62 (August 14, 1998), (operation of ATMs authorized by §24 (Seventh); Letter of Robert B. Serino, Deputy Chief Counsel (November 9, 1992) (unpublished). Interpretive Letter No. 821, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,271, 1998 WL 21662, 1998 OCC Ltr. LEXIS 15, (February 17, 1998), (as ATM is not a branch, it is not subject to prior approval requirements or geographic restrictions). Bank may form operating subsidiary to enter into joint venture or partnership with another bank to establish ATM network. Interpretive Letter No. 289, reprinted in [1983-1984 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,453, 1984 WL 63797, 1984 OCC Ltr. LEXIS 27, (May 15, 1984).

## **Balloon Loans.**

Bank may make either conventional or repurchase balloon loans secured by personal property. Interpretive Letter No. 364, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,534, 1986 WL 89628, 1986 OCC Ltr. LEXIS 8, (July 9, 1986). Banks may make fixed rate, balloon, demand or non-regularly amortized residential mortgage loans without regard to state law to the contrary. Letter from William B. Glidden, (September 30, 1992 (unpublished) (citing 12 U.S.C. §371 as amended by §403(a) of the Garn-St. Germain Depository Institutions Act of 1982, and 12 C.F.R. § 34.4(a)(2) and (3)).

## **Benefits Counseling.**

Bank’s operating subsidiary may provide Medicare and Medicaid counseling to customers and collect and disperse insurance benefit payments. Corporate Decision No. 98-13, 1998 OCC Ltr. LEXIS 20 (Feb. 9, 1998).

## **Bonds for Housing Purposes - Purchase, Dealing, and Underwriting.**

Obligations issued by a State, or a political subdivision or agency of a State for housing, university or dormitory purposes are classified as Type II securities. 12 C.F.R. §1.2(j)(1). Bank may deal in, underwrite, purchase and sell Type II securities for its own account, provided the aggregate par value of Type II securities issued by any one obligor does not exceed 10% of the bank’s capital and surplus as defined in 12 C.F.R. §1.2(a). 12 C.F.R. §1.3(b). This 10% limitation may be exceeded under certain circumstances. 12 C.F.R. §1.3(d).

## **Bridge Loans.**

Bank’s operating subsidiary may form partnership with affiliate of investment bank for the purpose of making short-term bridge loans and providing advice concerning such

bridge loans. Interpretive Letter No. 411, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. ¶ 85,635, 1988 WL 282186, 1988 OCC Ltr. LEXIS 9, (January 20, 1988); Interpretive Letter No. 516, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,220, 1984 WL 364902, 1990 OCC Ltr. LEXIS 33, (July 12, 1990).

## **Canadian Government Obligations - Purchase, Dealing, and Underwriting.**

Bank may deal in, underwrite, purchase and sell Canadian Government obligations. 12 U.S.C. § 24 (Seventh); 12 C.F.R. §1.3(a).

## **Cash Management**

Banks may provide cash management services. Interpretive Letter No. 756, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-120 (November 5, 1996.)

## **Certificates of Deposit - Purchase and Sale of Participation.**

Bank may offer participation interests in certificates of deposit purchased as agent from third party on behalf of a number of bank's depositors. Interpretive Letter No. 385, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶85-609 ) 1987 1987 WL 154125, OCC Ltr. LEXIS 30, (June 19, 1987).

## **Charitable Contributions.**

Bank may contribute to community funds or to charitable, philanthropic or benevolent instrumentalities conducive to public welfare, such sums as its board of directors may deem expedient and in the interests of the bank, if it is located in a state with laws that do not expressly prohibit state banking institutions from contributing to such funds or instrumentalities. 12 U.S.C. 24 (Eighth).

## **Charitable Trusts.**

Bank may establish Clifford trust (grantor trust wherein grantor has reversionary interest upon the occurrence of an event or the expiration of a time period) for charitable purposes. Interpretive Letter No. 142, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85-223, 1980 WL 42015, 1980 OCC Ltr. LEXIS 29 (May 14, 1980). Letter from Dale Zelony, Attorney, dated June 19, 1985 (unpublished OCC Letter).

## **Check Certification.**

Bank may certify checks, provided the person, firm or corporation drawing the check has sufficient funds on deposit to cover it. 12 U.S.C. §501.

## **Check Guarantee Plans.**

Bank may enter into check guarantee arrangements. 12 C.F.R. §7.7015 was removed by the 1996 OCC Regulation Review Program revisions as being "generally unnecessary, outdated or repetitive." The removal does not imply any alteration of the underlying authority for bank activity. The interpretive rulings the OCC removed were "grounded in statutory authority that remains unchanged". 61 FR 4849 (February 9, 1996).

## **Coin and Bullion - Investing and Dealing in.**

Banks have express authority to buy and sell “coin and bullion”. 12 U.S.C. §24 (Seventh); Bank may buy and sell privately minted commemorative coins. Interpretive Letter No. 840 [September 21, 1998]; Interpretive Letter No. 648, reprinted in [1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83-557, 1994 WL 269169 (May 4, 1994), (bank may buy and sell, as agent for customers and for the bank’s own account, gold, silver and platinum coins and bullion); Interpretive Letter No. 553, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83-300 (May 2, 1991); Interpretive Letter No. 390, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶85-614 (July 28, 1987) Interpretive Letter No. 326, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,496 (January 17, 1986). Bank may buy and sell palladium coin and bullion, as agent and for bank’s own account. Interpretive Letter No. 683, reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83-631 (July 28, 1995); Interpretive Letter No. 685, reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83-999 (August 4, 1995). Bank may buy and sell options on palladium and act as an exchange market maker. Interpretive Letter No. 683, reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83-631 (July 28, 1995). Bank operating subsidiary may buy and sell copper and conduct financial derivatives activities with regard to the underlying commodity. Interpretive Letter No. 693, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-008 (November 14, 1995).

## **Collateralized Mortgage Obligations - Purchase, Dealing and Underwriting.**

Collateralized mortgage obligations (“CMO’s”) may be classified as Type I, IV or V securities under 12 C.F.R. §1.2. CMO’s which are issued by a U.S. department or agency or a state or federal agency or political subdivision and are guaranteed by the full faith and credit of the U.S. for full and timely payment of principal and interest would be classified as Type I securities. 12 C.F.R. §1.2(i)(3). A bank may deal in, underwrite, purchase and sell Type I securities for its own account with no specified percentage of capital and surplus limitations. 12 C.F.R. §1.3(a). The following would be classified as Type IV Securities. CMO’s comprised of (i) commercial mortgages offered and sold pursuant to §4(5) of the Securities Act of 1933 (15 U.S.C. §77d(5)), rated investment grade or the credit equivalent thereof or described in §3(a)(41) of the Securities Exchange Act of 1934 (15 U.S.C. §78(a)(41)), rated investment grade in one of the two highest investment grade rating categories and that represents fully secured ownership of a note, certificate of interest or participation by a first lien on one or more parcels of improved commercial real estate, or (ii) residential mortgages offered and sold pursuant to §4(5) of the Securities Act of 1933 (15 U.S.C. §77d(5)), rated investment grade or the credit equivalent thereof or described in §3(a)(41) of the Securities Exchange Act of 1934 (15 U.S.C. §78(a)(41)) and rated investment grade in one of the two highest investment grade rating categories. 12 C.F.R. §§1.2(l)(2) and (3). A bank may purchase and sell Type IV securities for its own account and may deal in Type IV securities that are fully secured by Type I securities with certain limitations not applicable to CMO’s. 12 C.F.R. §1.3 (e). CMO’s not falling within one of the other categories and which are rated investment grade and are marketable, as defined by 12 C.F.R. §1.2(f), would be classified as Type V securities. 12 C.F.R. §1.2(m). A bank may purchase and sell Type V securities for its own account, provided the aggregate par value of Type V securities issued by any one issuer held by the bank does not exceed 25% of the bank’s capital and surplus. 12 C.F.R. §1.3(f). A bank may securitize and sell assets it holds as part of its banking business and there are no specified percentage of capital and surplus limitations on this activity. 12 C.F.R. §1.3(g).

## **Collateral Property Protection Insurance/Credit Related Insurance Products.**

Bank may sell credit related insurance products as agent in connection with the bank's loans as such sales are incidental to the business of banking under 12 U.S.C. §24 (Seventh); Interpretive Letter No. 283 (March 16, 1984 (credit life, disability, mortgage life, involuntary unemployment and vendors single interest insurance); 12 C.F.R. Part 2 (credit life insurance); IBAA v. Heimann, 613 F.2d 1164 (D.C. Cir. 1979), cert. denied, 449 U.S. 823 (1980) (confirming OCC's authority to adopt its credit life insurance regulation at 12 C.F.R. Part 2); Letter of William B. Glidden, June 3, 1986 (unpublished) (vendors dual interest insurance); Letter of William B. Glidden, June 17, 1993 (unpublished) (mechanical breakdown insurance); Interpretive Letter No. 671 (July 10, 1995) and Interpretive Letter No. 724 (April 22, 1996) (vehicle service contracts); 12 C.F.R. § 7.013 (debt cancellation contracts), First National Bank of Eastern Arkansas v. Taylor, 907 F.2d 775 (8th Cir. 1990), cert. denied, 111 S.Ct. 442 (1990) (confirming the ability of national banks to enter into debt cancellation contracts).

## **Collective Investment Funds/Common Trust Funds.**

Bank may invest fiduciary assets in two types of collective investment funds. The first type is a fund maintained by the bank or by one or more affiliated banks exclusively for the collective investment and reinvestment of money contributed to the fund by the bank or by one or more affiliated banks in its capacity as trustee, executor, administrator, guardian or custodian under a uniform gifts to minors act. The second type is a collective investment fund consisting solely of assets of retirement, pension, profit sharing, stock bonus or other trusts exempt from Federal income tax. 12 C.F.R. § 9.18. Bank may charge collective investment fund participants different fees based upon the amount and type of services used by the participant. Interpretive Letter No. 829, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,278 (April 9, 1998); 1998 WL 295641. Bank may offer closed-end collective investment funds as a fiduciary service to qualified employee benefit accounts. Trust Interpretation No. 208, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,019, 1989 WL 303775, 1989 OCC Ltr. LEXIS 30 (April 7, 1989).

## **Commercial Paper Placement.**

Bank, as agent, may privately place third party commercial paper. Securities Industry Assoc. v. Board of Governors of Federal Reserve System, 807 F.2d 1052 (D.C. Cir. 1986), cert. denied, 483 U.S. 1005 (1987).

## **Commodities Futures and Options.**

Banks may buy and sell forward, option and futures contracts for their own account where they are authorized to buy and sell the underlying instruments for their own account. Banks may execute transactions in options and futures contracts for customers where the bank can execute transactions in the underlying instrument or product for the account of its customers. 12 C.F.R. § 5.34 (e)(3)(ii)(c). Interpretive Letter No. 496, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,087, 1989 WL 303700, 1989 OCC Ltr. LEXIS 102, (December 18, 1989). Bank may offer investment advice with respect to options, futures, and options on futures on both financial and non-financial commodities. Conditional Approval No. 190, 1995 OCC Ltr. LEXIS 189; see also Interpretive Letter No. 494, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,083, 1989 WL 303704, 1989 OCC Ltr. LEXIS 99, (December 20, 1989). Bank may also engage in matched and unmatched commodity price index swaps as these activities are incidental to the express power of banks to receive deposits and make loans and to the business of

banking. Interpretive Letter No. 652, reprinted in [1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,600, 1994 WL 640010, 1994 OCC Ltr. LEXIS 113, (September 13, 1994). Bank may act as sole general partner and commodity pool operator of commodity pools that will purchase and sell futures and options on securities issued by foreign governments, where the bank has the authority to invest for its own account. Unpublished Interpretive Letter (January 30, 1992), 1992 WL 125228. Bank may hedge financial exposure arising from otherwise permissible banking activities in markets that involve physical delivery of commodities and may make or take physical delivery of commodities, transfer or receive transfer of documents of title and engage in other activities incidental thereto with prior written authorization. Interpretive Letter No. 632, reprinted in [1993-1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,516, 1993 WL 491242, 1993 OCC Ltr. LEXIS 45 (June 30, 1993). Bank may establish an operating subsidiary through acquisition of an SEC-registered broker-dealer and CFTC-registered futures commission merchant engaged in (1) providing brokerage and futures commission merchant services; (2) maintaining membership on exchanges and acting as a clearing member; (3) providing margin financing from a bank branch office; (4) engaging in securities lending by borrowing securities from third parties to re-lend to customers; and (5) holding seats on various exchanges to lease to trading customers. Interpretive Letter, 1986 WL 143996, (December 29, 1986); Bank may act as finder through electronic means for commodities transactions. Interpretive Letter No. 346, reprinted in Fed. Banking L. Rep. (CCH) ¶ 85,516; (July 31, 1985). A bank may take physical possession of the Eligible Commodities in connection with hedge commodity transactions with its customers to manage the risk in permissible commodity-linked financial transactions. Interpretive Letter No. 684, reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,632, 1995 WL 553088, 1995 OCC Ltr. LEXIS 98 (August 4, 1995), Interpretive Letter No. 632, reprinted in [1993-1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,516, 1994 WL 161143, 1993 OCC Ltr. LEXIS 45 (June 30, 1993). Interpretive Letter No. 494, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,083, 1990 WL 541765, 1989 OCC Ltr. LEXIS 99 (December 20, 1989). Banking Circular 277, Risk Management of Financial Derivatives, 1993 OCC CB LEXIS 101, 12 (October 27, 1993).

## **Computer Hardware Sales.**

Bank may establish an operating subsidiary which engages in payment and information processing services. The subsidiary may own/operate/sell electronic data processing and data interchange facilities which will be used to communicate billing and payment related information to the insurance carriers responsible for paying for the medical benefits. Conditional Approval No. 282, 1998 WL 614596 (July 31, 1998). Bank operating subsidiary may provide computer network services including necessary hardware to financial institutions. Interpretive Letter No. 754, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-118 (November 6, 1996).

## **Computer Software Sales**

Bank or bank operating subsidiary may invest in a limited liability company that develops, produces, and distributes or sells cash management software. Interpretive Letter No. 677, reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83-625 (June 28, 1995); Interpretive Letter No. 756, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-120 (November 5, 1996).

## **Consumer Access/Discount Card Program**

Bank may form operating subsidiary to operate a consumer access/discount card



program. Interpretive Letter No. 678, reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,626 (July 6, 1995).

## **Correspondent Services.**

National Banks are authorized to offer correspondent services to others that involve activities the banks can themselves do on behalf of their own customers or as an aspect of conducting their own business operations. Bank may acquire and operate a printing company as a division of the bank, subject to "excess capacity" limitations. Unpublished Interpretive Letter No. 811, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-259, 1998 WL 429169, 1998 OCC QJ LEXIS 143 (June, 1998). Providing electronic imaging services to banks and other financial firms is a permissible correspondent service. Interpretive Letter No. 805, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-252, 1998 WL 320185 (October 9, 1997). Bank may establish a correspondent account at an unaffiliated bank in another state to provide vault cash for the bank's customers in the state. Unpublished Interpretive Letter No. 796, reprinted in [1997 Transfer Binder] Fed. Banking L. Rep. ¶ 81-223, 1997 WL 848774 (August 18, 1997). Bank may have an operating subsidiary which provides investment portfolio management services and computer networking services for the bank and other financial institutions. Interpretive Letter No. 754, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,118, 1997 WL 268824, 1996 OCC Ltr. LEXIS 123 (November 6, 1996). Bank may establish an operating subsidiary which makes flood hazard determinations for the bank, its affiliates, and unaffiliated mortgage lenders. Corporate Decision No. 97-79, dated July 11, 1997, 1997 WL 580821 (July 11, 1997). Bank may offer financial and consulting services including; market research and analysis, strategic planning, advertising and promotion planning, product development, personnel management, employee relations, affirmative action, salary and benefit plans to banks and commercial customers. Interpretive Letter No. 137, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,218, 1979 WL 25446, 1979 OCC Ltr. LEXIS 1 (December 27, 1979). Bank may provide internal security consulting services including security and guard services at affiliate banks and non-bank affiliates. Interpretive Letter No. 398, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,622, 1987 WL 149897, 1987 OCC Ltr. LEXIS 45 (September 28, 1987). Bank may install and maintain vaults, locks, and ATMs for third party banks. No-Objection Letter No. 90-3, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,207, 1990 WL 639879, 1990 OCC Ltr. LEXIS 24, (May 2, 1990).

## **Credit Card Bank.**

Bank may establish a credit card bank as a subsidiary. Interpretive Letter No. 565, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,319, 1991 WL 340662, 1991 OCC Ltr. LEXIS 103 (November 27, 1991).

## **Credit Card Customer Lists - Sale.**

Bank may sell credit card customer list to an insurance agency that offers cancer insurance. Interpretive Letter No. 316, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,486, 1984 WL 63822, 1984 OCC Ltr. LEXIS 4 (December 4, 1984).

## **Credit Card Merchant Processing**

Bank operating subsidiary may hold minority interest in a limited liability company that performs credit and debit card merchant processing, leasing of point-of-sale terminals. Conditional Approval No. 269 (January 13, 1998).

## **Credit Card Programs.**

Bank may participate in a program with credit card companies and retail, grocery, and drug stores to accept money from customers for transmission to persons in Mexico. Unpublished Interpretive Letter 1990 WL 362177 (September, 1990). Bank may participate in a limited liability company to engage in a co-branded credit card business with a retailer of hunting, fishing and outfitting products. Interpretive Letter No. 659 reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,607, 1995 WL 604437, 1995 OCC Ltr. LEXIS 37 (March 31, 1995).

## **Credit Card-Receivables Securitization.**

Bank's operating subsidiary may securitize credit card receivables. Interpretive Letter No. 540, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,252, 1990 WL 364928, 1990 OCC Ltr. LEXIS 58 (December 12, 1990).

## **Credit Life Insurance - Sale.**

Bank may provide credit life insurance to loan customers. 12 C.F.R. § 2.1. Bank may operate a subsidiary which provides credit life, credit health and accident, and credit unemployment reinsurance to its affiliates and parent institution. Corporate Decision 99-03, 1998 WL 954021, 1998 OCC Ltr. LEXIS 101 (December 21, 1998). Under certain circumstances, bank may offer its customers free accidental death and dismemberment insurance. Interpretive Letter No. 566 reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,320, 1991 WL 566371, 1991 OCC Ltr. LEXIS 104 (December 2, 1991).

## **Credit Life Insurance-Underwriting and Reinsuring.**

Bank may underwrite, reinsure, and sell as agent, credit-related insurance products, including credit life insurance, credit disability insurance, and unemployment insurance, to customers. OCC Corporate Decision No. 98-28 (May 11, 1998); OCC Corporate Decision No. 97-92 (October 17, 1997); Interpretive Letter No. 812, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-260, 1997 WL 828147 (December 29, 1997). Bank may establish an operating subsidiary to provide insurance coverage on business risks as well as re-insurance on credit life, credit health, accident and credit unemployment insurance issued by bank. Corporate Decision 99-03, 1998 WL 954021, 1998 OCC Ltr. LEXIS 101 (December 21, 1998). Interpretive Letter No. 845, reprinted in [1998-1999 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-300, 1998 WL 850209 (October 20, 1998). Banks may sell, underwrite or re-insure credit related insurance. Interpretive Letter No. 835, reprinted in [1998-1999 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-289, 1998 WL 61458 (July 31, 1998). Corporate Decision No. 98-28, 1998 WL 363404 (May 11, 1998). Bank subsidiary may underwrite and reinsure credit disability and involuntary unemployment insurance in connection with credit card loans to customers. Corporate Decision No. 97-92, 1997 WL 751159, 1997 OCC Ltr. LEXIS 141 (October 17, 1997).

## **Crop Insurance - Sale.**

Bank may offer as agent, multiple peril crop insurance and hail/fire insurance in connection with loans to its farmer customers. Interpretive Letter No. 812, reprinted in [1998-1999 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-260, 1998 WL 429170 (December 29, 1997). National Bank may only sell crop insurance within the strictures of section 92. Independent Insurance Agents of America v. Hawke, \_\_\_ F. Supp.2d \_\_\_, 1999 WL 169453 (D.D.C. March 24, 1999) (Opinion disapproved of Interpretive Letter No. 812). Appeal docketed, No. 99-5158 (D.C. Cir. May 21, 1999).

## **Currency Options.**

Bank may make a non-controlling investment in a limited liability company that offers its customers the service of placing funds in foreign currency time deposits with foreign banks. Interpretive Letter No. 778 [1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-205, 1997 WL 735801 (March 20, 1997). A bank may establish an operating subsidiary which purchases and sells foreign currency options for its own account. Interpretive Letter No. 624, reprinted in [1993-1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,506, 1993 WL 646033 (June 30, 1993), 1993 OCC Ltr. LEXIS 26. Interpretive Letter No. 414, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,638, 1988 WL 284804, 1988 LEXIS 12 (February 11, 1988); Interpretive Letter No. 433, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,657, 1988 WL 284812, 1988 OCC Ltr. LEXIS 37 (June 3, 1988).

## **Data Processing Equipment - Leasing.**

Bank's operating subsidiary may enter into a general partnership with a corporation for the leasing of electronic data processing equipment on a net, full-payout basis. Interpretive Letter No. 369, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,539 1986 WL 85082, 1986 OCC Ltr. LEXIS 13 (September 25, 1986).

## **Data Processing Services.**

Bank may acquire one half ownership interest in a company providing payment and information processing services for health care industry. Conditional Approval Letter No. 282 [July 31, 1998]. Bank may acquire/hold non-majority interest in a company which offers payroll data processing services to commercial customers including payroll computations, deductions, tax escrow account management and salary payment to employees. Interpretive Letter No. 771 reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-135, 1997 WL 525500, 1997 OCC QJ LEXIS 87, (March, 1997). Bank may establish operating subsidiary to engage in computer networking services including local and wide area networking services to facilitate data processing for itself and other financial institutions. Interpretive Letter No. 754, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-118, 1997 WL 268824, 1996 OCC Ltr. LEXIS 123 ((November 6, 1996)). Bank may own an interest in a company which markets its electronic imaging services to medical claims processors, financial service companies and non-financial service companies with financial data. Interpretive Letter No. 805, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-252, 1998 WL 320185 (October 9, 1997). Bank may form an operating subsidiary to perform electronic toll collection services for a public utility. Interpretive Letter No. 731, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,048, 1996 WL 413705, 1996 OCC Ltr. LEXIS 65, (July 1, 1996). Bank may provide transaction information processing services to support stored value system. Interpretive Letter No. 737, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,101, 1996 WL 763025, 1996 OCC Ltr. LEXIS 88 (September 1996).

## **Debt Cancellation Contracts.**

Bank which issues credit cards may offer cardholders "debt suspension agreements" for a monthly fee. Interpretive Letter No. 827, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-276, 1998 WL 882493, 1998 OCC QJ LEXIS 209 (April 3, 1998). Bank may offer debt cancellation agreements which cancel a borrower's debt upon the borrower's death, disability or involuntary unemployment. 12 C.F.R. § 7.1013. Unpublished Interpretive Letter, 1994 WL 763794, (January 19, 1994) Interpretive Letter No. 640, reprinted in [1993-1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,527, 1994 WL 107221, 1994 OCC Ltr. LEXIS 8 (January 7, 1994).

## **Debt Collection and Asset Management Services - FDIC/RTC.**

Bank may perform debt collection and asset management services for the RTC, if the assets for which the bank is performing the services were assets that the bank did not acquire when it purchased a thrift from the RTC. Interpretive Letter No. 498, reprinted in 1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶83,089, 1989 WL 303702, 1989 OCC Ltr. LEXIS 104 (December 26, 1989); Interpretive Letter No. 538, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,249, 1991 WL 340647, 1991 LEXIS 2 (January 8, 1991). Interpretive Letter No. 646, reprinted in [1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,555, 1994 WL 568014, 1994 OCC QJ LEXIS 194 (May, 1994) . OCC Banking Circular 254 "Asset Management" 1991 WL 434653, 1991 OCC CB LEXIS 59 (June 14, 1991). Interpretive Letter No. 537, reprinted in [1990-1991 Transfer Binder] Fed Banking L. Rep. (CCH) ¶ 83,248, 1991 WL 570777, 1991 OCC Ltr. LEXIS 3 (January 8, 1991). Interpretive Letter No. 538, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,249, 1991 WL 570778, 1991 OCC Ltr. LEXIS 2 (January 8, 1991). Interpretive Letter No. 539, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,251, 1991 WL 570779, 1991 OCC QJ LEXIS 6 (January 15, 1991).

## **Debt Collection Via Subsidiary.**

Bank may collect delinquent loans on behalf of other lenders, may provide billing services for doctors, hospitals, or other service providers and may act as an agent in the warehousing and servicing of other loans. Unpublished Interpretive Letter, 1985 WL 151323 (August 27, 1985). Bank may establish an operating subsidiary to perform debt collection activities. Interpretive Letter No. 53, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,128, 1978 WL 21846, 1978 OCC Ltr. LEXIS 53 (June 27, 1978).

## **Debt For Equity Swaps.**

Bank may engage in the swap of Argentinean public sector debt instruments for equity holdings pursuant to its authority to satisfy debts previously contracted, subject to certain conditions. Interpretive Letter No. 643, reprinted in [1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,551, 1994 WL 567992, 1994 OCC Ltr. LEXIS 96 (April 1994). Banks may enter into swaps of rescheduled foreign government loans through a series of interrelated transactions and hold the equity received to extinguish the debt pursuant to the bank's DPC authority. Since the equitable interests in this case may only be held pursuant to the bank's DPC authority, the equity interests must be disposed of as soon as possible. Interpretive Letter No. 511, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,213, 1990 WL 364897, 1990 OCC Ltr. LEXIS 14 (June 20, 1990). Banks may swap debt for equity and acquire interests in satisfaction of debts previously contracted where the bank demonstrates that its purpose is to recover the amounts lent and not merely to speculate. There is no requirement that the equity interest in the real property have been pledged as collateral for the debt. No objection Letter 89-01, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,009, 1989 WL 303722, 1989 OCC Ltr. LEXIS 20 (January 25, 1989); No Objection Letter 88-7, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 84,047, 1988 WL 284871, 1988 OCC Ltr. LEXIS 35 (May 20, 1988).

## **Debts Previously Contracted ("DPC") - Holding, Managing, and Liquidating Assets Via Subsidiary.**

Bank may establish a de novo subsidiary to hold and manage its debts previously contracted until they can be sold. Unpublished Interpretive letter, 1994 WL 763809 (April 18, 1994). Bank may form an operating subsidiary for the purpose of holding, managing and liquidating assets acquired DPC. Interpretive Letter No. 355, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,525, 1985 WL 37149, 1985 OCC Ltr. LEXIS 31 (December 10,

1985); Interpretive Letter No. 397, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,621, 1987 WL 149896, 1987 OCC Ltr. LEXIS 44 (September 15, 1987).

### **Deferred Fee and Death Benefit Insurance on Directors.**

Bank may purchase corporate owned life insurance. Guidelines for the Purchase of Life Insurance, OCC Bulletin 96-51, 1996 WL 560115, 1996 OCC CB LEXIS 92 (September 20, 1996). Bank may NOT purchase life insurance policy to provide liquidity for a major shareholder's estate upon his/her death by purchasing a policy on the major shareholder's life and using the insurance proceeds to purchase his/her stock, and use the stock as treasury stock. Interpretive Letter No. 747 reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-112, 1997 WL 268782, 1996 OCC Ltr. LEXIS 118 (October 1996). Interpretive Letter No. 401, reprinted in [1988-1989 Transfer Binder] (CCH) ¶85,625, 1987 WL 149900 (November 13, 1987).

### **Deposit of Funds In Savings and Loan Institutions/Banks.**

Banks may maintain deposits in other banks to facilitate the transfer of funds as "due from bank deposits" or "correspondent bank balances." Comptroller's Handbook for National Bank Examiners Section 202.1 Due From Banks: Domestic and International, 1982 WL 203851 (June 1994).

### **Deposits.**

Bank may receive deposits. 12 U.S.C. § 24 (Seventh).

### **Derivatives**

Bank may invest in operating subsidiary that engages in interest rate swaps, caps, floors, swaptions, cross-currency swaps and other derivative transactions. Interpretive Letter No. 725, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,040, 1996 WL 615991, 1996 OCC Ltr. LEXIS 36 (May, 1996). Banks may enter into equity swaps and equity index swaps ("equity derivative swaps") consistent with the National Bank Act and Glass-Steagall Act. Interpretive Letter No. 652, reprinted in [1994 Transfer Binder] Fed Banking L. Rep. (CCH) ¶ 83,600, 1994 WL 646478 (March 9, 1994), 1994 OCC Ltr. LEXIS 113 (September 13, 1994). Interpretive Letter No. 693, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,008, 1995 WL 788083, 1995 OCC Ltr. LEXIS 192, (November 14, 1995), (Bank may buy and sell copper and conduct financial derivative activities regarding copper).

### **Digital Signatures.**

Bank may establish subsidiary to act as certification authority to enable subscribers to generate digital signatures. Conditional Approval No. 267, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-256, 1998 OCC Ltr. LEXIS 1 (January 12, 1998).

### **Director, Officer and Business Liability Insurance.**

Bank may establish a subsidiary which will provide insurance coverage for business risks for affiliate and parent institution. Corporate Decision No. 99-03, 1998 WL 954021, 1998 OCC Ltr. LEXIS 101 (December 21, 1998). Interpretive Letter No. 845, reprinted in [1998-1999 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-300, 1998 WL 850209, 1998 OCC Ltr. LEXIS 71 (October 20, 1998).

### **Director and Officer Mutual Life Insurance Company.**

Bank may participate as policyholder in a mutual insurance company established to

provide blanket bond and director and officer liability insurance to the banking industry. Interpretive Letter , 1986 WL 143884 (October 22, 1986).

### **Disability Insurance - Sale.**

Bank's subsidiary may act as agent for credit life and disability insurance as long as the insurance is offered in conjunction with the loans made by the bank. Interpretive Letter No. 495, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,084, 1989 WL 303705, 1989 LEXIS 100 (December 22, 1989); Interpretive Letter No. 283, reprinted in [1983-1984 Transfer binder] Fed. Banking Law Rep. (CCH) ¶ 85,447, 1984 WL 63791, 1984 OCC Ltr. LEXIS 37 (March 16, 1984).

### **Discount Brokerage Activities.**

Bank may perform discount brokerage services. Bank may acquire stock of company as operating subsidiary to perform discount brokerage services and investment advice and to act as a futures commission merchant. Interpretive Letter No. 380, reprinted in [1988-1989 Transfer Binder] Fed Banking L. Rep. (CCH) ¶ 85,604 (December 29, 1986); Interpretive Letter, 1987 WL 149813, (June 30, 1987); Interpretive Letter No. 403, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,627, 1987 WL 154114, 1987 OCC Ltr. LEXIS 37 (December 9, 1987). Interpretive Letter No. 492, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,075, 1990 WL 541762, 1989 OCC Ltr. LEXIS 89 (October 20, 1989). Securities Industry Association v. Board of Governors of the Federal Reserve System, 468 U.S. 207 (1984); Securities Industry Association v. Comptroller of the Currency, 577 F. Supp. 252 (D.D.C. 1983, aff'd per curiam, 758 F.2d 739 (D.C. Cir. 1985) cert. denied, 474 U.S. 1054 (1986) (brokerage issue), rec'd., 479 U.S. 207 (1987) (branching issue); Interpretive Letter No. 562, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,313, 1991 WL 34067, 1991 OCC Ltr. LEXIS 89, (August 26, 1991).

### **Discounting of Promissory Notes.**

Bank may discount and negotiate promissory notes, drafts, bills of exchange and other evidences of debts. 12 U.S.C. § 24 (Seventh). Bank may establish subsidiary which acts as general partner of a series of trusts which hold general obligation municipal securities and sells trust interests by private placement which interests may be subject to discount after issuance. Corporate Decision No. 96-52, 1996 WL 640403, 1996 OCC Ltr. LEXIS 111 (September 20, 1996).

### **Drafts and Bills of Exchange.**

Banks may accept drafts or bills of exchange drawn upon it up to 150% of paid up and unimpaired capital stock and surplus. 12 U.S.C. § 372.

### **Economic Cooperation and Development in the Middle East and North Africa Bank Obligations - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite obligations of the Bank for Economic Cooperation and Development in the Middle East and North Africa in an amount up to 10% of the bank's capital and surplus. 12 U.S.C. § 24 (Seventh); 12 C.F.R. §§ 1.2(j)(2), 1.3(b).

### **Economic Development Loans to Native Americans.**

Bank may make loans to certain authorized Native American organizations, at least 20% of which loans are guaranteed, without being subject to restrictions of other statutes regarding loan to value ratios, maturity, security, priority of lien or percentage

of assets that may be invested. 25 U.S.C.A. § 1489.

### **EFT Network Via Subsidiary.**

Bank's operating subsidiary may operate an EFT network. Interpretive Letter No. 289, reprinted in [1993-1984 Transfer Binder] Fed Banking L. Rep. (CCH) ¶ 85,453, 1984 WL 63797, 1984 LEXIS 27 (May 15, 1984); Interpretive Letter No. 160, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,241, 1980 WL 42031, 1980 OCC Ltr. LEXIS 18 (August 18, 1980). Interpretive Letter No. 382, reprinted in [1987-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,606, 1987 WL 287018, 1987 OCC Ltr. LEXIS 12 (May 5, 1987).

### **Electronic Benefit Transfer Services for Government.**

Bank may act as financial agent of the Department of the Treasury to provide electronic benefit transfer services, including State-administered benefits with the consent of the States. 12 U.S.C. § 90.

### **Electronic Capacities - Furnishing Products and Services, Marketing Selling.**

Bank may perform, provide or deliver through electronic means and facilities any activity, function, product or service that it is otherwise authorized to perform, provide or deliver. 12 C.F.R. § 7.1019. Bank may provide home banking services via an internet connection to the bank's home banking system and, incidental to that service, also may provide internet access to customers and non-bank customers in the bank's service area. Bank may market and sell excess electronic capacities acquired or developed by the bank in good faith for banking purposes. Bank may establish a wholly owned de novo operating subsidiary to engage as general partner in providing electronic information and transaction services and providing an electronic gateway for financial settlement services in connection with commodities transactions. Interpretive Letter No. 346, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,516, 1985 WL 73138, 1985 OCC Ltr. LEXIS 3 (July 31, 1985). Interpretive Letter No. 742, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-106, 1996 WL 544203 (August 19, 1996); Interpretive Letter No. 677, reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,625, 1995 WL 475210 (June 28, 1995). Bank may offer to merchant customers a web site hosting service so that participating merchants can receive and process credit cards orders over the Internet. Interpretive Letter No. 856, reprinted in [1998-1999 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-313 (March 5, 1999). Bank operating subsidiary may hold minority interests in limited liability companies that offer electronic bill payment and presentment services over the Internet. Conditional Approval No. 304 (March 5, 1999).

### **Electronic Funds Transfer Switch.**

Bank may form an operating subsidiary to enter into a general partnership to provide an electronic funds transfer switch for use by financial institutions. Interpretive Letter No. 382, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,606, 1987 WL 154131, 1987 OCC Ltr. LEXIS 12 (May 5, 1987).

### **Electronic Services-SMART Telephone Services.**

Bank may utilize a "smart telephone" developed by ATT to conduct banking transactions with its customers and offer the service to correspondent financial institutions for their customers' use. Interpretive Letter No. 611, reprinted in [1992-1993 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,449, 1993 WL 646144, 1992 OCC Ltr. LEXIS 90 (November 23,

1992).

### **Electronic Services-Stored Value Information Systems.**

Bank may hold a minority interest in a limited liability company ("LLC") that develops, markets, delivers and maintains stored value and information systems for universities, hospitals, business centers, theme parks, and military installations using smart card technology. The LLC will provide the services for the smart cards, but the bank (or other entity approved by the customer) will hold, and be financially responsible for, the stored value. Interpretive Letter No. 737, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,101, 1996 WL 763025, 1996 OCC Ltr. LEXIS 88 (September 1996). Bank operating subsidiaries may hold minority interests in a limited liability company that issues electronic stored value cards. Banks with excess capacity on their Internet web sites may provide hyperlinks to web sites of other financial service providers. Conditional Approval No. 220 (December 2, 1996).

### **Environmental Financing Authority Obligations - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite without limitation obligations of the Environmental Financing Authority. 12 U.S.C. § 24 (Seventh).

### **Equipment and Personal Property Leasing.**

Bank may invest in tangible personal property, including without limitation, vehicles, manufactured homes, machinery, equipment, or furniture, for lease financing transactions on a net lease basis, provided the aggregate book value of all such property does not exceed 10% of the consolidated assets of the bank. 12 U.S.C. § 24(Seventh); 12 C.F.R. § 23.7; Interpretive Letter No. 567, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,337, 1991 OCC Ltr. LEXIS 124 (October 29, 1991); Interpretive Letter No. 556, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,306, 1991 WL 340664, 1991 OCC Ltr. LEXIS 85 (August 6, 1991).

### **European Bank for Reconstruction and Development Obligations- Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite obligations of the European Bank for Reconstruction and Development in an amount up to 10% of the bank's capital and surplus. 12 U.S.C. § 24(Seventh).

### **Exchange - Traded Futures Contracts.**

Banks may own operating subsidiary which will perform discount brokerage services and act as futures commission merchant. Interpretive Letter No. 380 [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,604, 1986 WL 89624, 1986 OCC Ltr. LEXIS 25 (December 29, 1986). Bank may act as principal in unmatched commodities price index swaps with its customers. No Objection Letter # 90-1, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,095, 1990 WL 538994, 1990 OCC Ltr. LEXIS 6 (February 16, 1990).

### **Exchange-Traded Options.**

Bank may purchase and sell futures or options and clear trades for its own account and for customers; bank may offer advisory services for customers in agricultural, petroleum and metal futures or options. Interpretive Letter No. 494 [1989-1990 Transfer Binder]



Fed. Banking L. Rep. (CCH) ¶ 83,083, 1989 WL 303704, 1989 OCC Ltr. LEXIS 99 (December 20, 1989). Bank may use trust department to place put or call options Trust Bank Circular, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 59,292, 1989 WL 384932 (December 19, 1989) Bank subsidiary may be a "Registered Options Trader" and Foreign Currency Options Participant on Philadelphia Stock Exchange. Interpretive Letter No. 433, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,657, 1988 WL 284812, 1988 OCC Ltr. LEXIS 37 (June 3, 1988).

## **Exchanging Other Real Estate (OREO) for Mortgages on Other Property.**

Under certain circumstances, a bank may exchange other real estate owned for preferred, non-voting, restricted, convertible stock of a publicly traded real estate company (which would acquire the characteristics of DPC stock). Interpretive Letter No. 395, reprinted in [1988-1989 Transfer Binder] Fed Banking L. Rep. (CCH) ¶ 85,619, 1988 WL 425672 (August 24, 1997), 1987 OCC Ltr. LEXIS 27. Bank may exchange or trade "Other Real Estate Owned" for other property provided bank is not engaging in real estate speculation and transaction is undertaken to substantially reduce or avoid potential loss on OREO. Interpretive Letter No. 349, reprinted in Fed Banking L. Rep. (CCH) ¶ 85,519, (September 12, 1985).

## **Factoring of Medical Accounts Receivable**

Bank may engage in factoring of medical accounts receivable of doctors, clinics, and medical facilities, and related data processing services. Interpretive Letter No. 712, reprinted in [1995-1996 TransferBbinder] Fed. Banking L. Rep. (CCH) ¶ 81-027 (February 29, 1996).

## **Federal Farm Loan Obligations - Purchase, Dealing, and Underwriting.**

Banks may purchase, deal in and underwrite without limitation obligations issued under authority of the Federal Farm Loan Act, as amended. 12 U.S.C. § 24(Seventh)

## **Federal Financing Bank Obligations - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite without limitation obligations of the Federal Financing Bank. 12 U.S.C. § 24(Seventh).

## **Federal Funds Transactions with Investment Company.**

Banks may engage in federal funds transactions with an investment company so long as it complies with OCC Banking Circular 112. Interpretive Letter, 1985 WL 73094 (February 22, 1985).

## **Federal Home Loan Bank Obligations - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite without limitation obligations issued by the thirteen banks for the cooperatives of any of them or the Federal Home Loan Banks. 12 U.S.C. § 24(Seventh).

## **FHA and Conventional Mortgages - Purchase and Sale.**

Bank may establish an operating subsidiary which will create and issue mortgage

backed securities which will be sold through public offerings using an independent investment banker or through the subsidiary's own private placement. Section 24(Seventh); Unpublished Interpretive Letter, 1990 WL 362116 (January 11, 1990); Interpretive Letter No. 418, reprinted in [1987-1988 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,642, 1988 WL 284800, 1998 OCC Ltr. LEXIS 16 (February 17, 1988).

### **FLMC Mortgages - Purchase, Dealing, and Underwriting.**

Bank may purchase the preferred stock of Federal Home Loan Mortgage Company ("Freddie Mac"). 12 U.S.C. § 24(seventh), 12 U.S.C. § 1455(f). Interpretive Letter No. 577 reprinted in [1992-1993 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,347, 1992 WL 605086, 1992 OCC Ltr. LEXIS 10 (April 6, 1982). Bank may establish a subsidiary which engages in the activity of the sale of debt obligations which are collateralized by mortgage pools secured by the Government National Mortgage Association or Freddie Mac. These bonds may be sold to other entities, including unaffiliated financial institutions. Interpretive Letter No. 514, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,218, 1990 WL 541785, 1990 OCC Ltr. LEXIS 31 (May 5, 1990).

### **Financial Advice and Counseling.**

Bank may offer strategic planning of a financial nature and market economic information to customers in general. Bank may also offer a wide range of consulting services to correspondent banks. Investment advice may be given through a subsidiary. Interpretive Letter No. 137, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,218, 1979 WL 25446, (December 27, 1979); Interpretive Letter, July 17, 1986, 1986 WL 143970; OCC Interpretive Letter 367, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) 85,537, 1986 WL 89625, 1986 OCC Ltr. LEXIS 9 (August 19, 1986); Interpretive Letter, 1987 WL 149813 (June 30, 1987); Interpretive Letter, 1987 WL 149785 (October 15, 1987); 12 C.F.R. § 5.34(e)(2)(ii)(I); 12 C.F.R. § 9.101.

### **Financial Advice and Counseling for Employee Benefits.**

Bank may offer employee benefit consulting services (including health benefit consulting) to corporations wishing to establish qualified benefit plans. OCC Corporate Decision No. 98-51, reprinted in [Current Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-306 (November 30, 1998). Corporate Decision No. 98-13 (February 9, 1998)(Notification by Fleet National Bank, Providence Rhode Island, to acquire and hold as an operating subsidiary Benova, Inc. A company engaged in providing medical insurance cost information, benefits counseling, premium collection and disbursement, and related activities); Conditional Approval No. 190 (December 18, 1995).

### **Financial Advice and Counseling for Mutual Funds.**

Bank's operating subsidiary may offer investment advice to a mutual fund. Interpretive Letter No. 403, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,627, 1987 WL 154114, 1987 OCC Ltr. LEXIS 37 (December 9, 1987); Interpretive Letter 769, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-133 (January 28, 1997); Interpretive Letter, 1999 WL 74105 (January 13, 1999); 12 C.F.R. §§ 5.34(e)(2)(ii)(I), 5.34(e)(3)(ii)(D). Conditional Approval No. 300, 1999 WL 74105.

### **Financial Options.**

Bank's operating subsidiary may purchase or sell options on financial instruments and options on contracts for future delivery of financial instruments for its own account or as agent for its customers subject to the limitations in OCC Banking Circular 277. OCC Banking Circular 277, 5 Fed. Banking L. Rep. (CCH) ¶ 62-152 (October 27, 1993); Interpretive Letter No. 260, reprinted in [1983-1984 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,424, 1983 WL 54147, OCC Ltr. 1983 LEXIS 15 (June 27, 1983); Interpretive Letter No. 357, reprinted in [1985-1987 Transfer

Binder] Fed. Banking L. Rep. (CCH) ¶ 85,527, 1986 WL 85091, 1986 LEXIS 3 (February 26, 1986); Interpretive Letter dated August 8, 1986, 1986 WL 143973; Interpretive Letter No. 494, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,083, 1989 WL 303704, 1989 OCC Ltr. LEXIS 99 (December 20, 1989); 12 C.F.R. § 5.34(d).

### **FNMA Obligations - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite without limitation obligations, participation, or other instruments of or issued by the Federal National Mortgage Association. 12 U.S.C. § 24 (Seventh).

### **Foreign Branches.**

Bank may establish foreign branches. 12 U.S.C. § 601 (First).

### **Full Payout Leases.**

Bank may reasonably rely on the residual value of leased property in structuring a net full payout lease that recoups 100% of the investment plus the cost of handling. Interpretive Letter No. 20, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,095, 1978 WL 21822, 1978 OCC Ltr. LEXIS 46 (January 12, 1978); 12 C.F.R. § 23.21(a).

### **General Contractor License.**

Bank may obtain a license and act as general contractor in order to make appropriate improvements and repairs to its own OREO, subject to certain restrictions. No Objection Letter 91-4, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,318, 1991 WL 38432, 1991 OCC Ltr. LEXIS 100 (October 1, 1991); 12 C.F.R. § 34.86.

### **GNMA Futures Market Participation.**

Bank may participate in GNMA futures markets. BC 277, 5 Fed. Banking L. Rep. (CCH) ¶ 62-152 (October 27, 1993)); Interpretive Letter dated September 21, 1977, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,037; Interpretive Letter No. 99-2, 1999 WL 44371, (January 25, 1999).

### **GNMA Obligations - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite without limitation obligations, participation, or other instruments of or issued by the Government National Mortgage Association. 12 U.S.C. § 24 (Seventh).

### **Guarantee of Bank's Own Obligations.**

Bank may guarantee notes or other obligations sold by the bank for its own account. 12 C.F.R. § 7.1017.

### **Guarantee of Obligations of Others.**

Bank may lend its credit, bind itself as a surety to indemnify another, or otherwise become a guarantor, if it has a substantial interest in the performance of the transaction involved or has a segregated deposit sufficient in amount to cover the bank's total potential liability. Interpretive Letter No. 94, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,169, 1979 WL 25414, 1979 OCC Ltr. LEXIS 48 (May 3, 1979); Interpretive Letter No. 218, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,299, 1981 WL 50495, 1981 OCC Ltr. LEXIS 14 (September 16, 1981); Interpretive Letter No. 237, reprinted in [1983-1984 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,401, 1982 WL 54142, 1982 OCC Ltr. LEXIS 15 (February 23, 1982); 12 C.F.R. § 7.1017.

## **Home Banking.**

Bank may establish electronic “gateway” for customers for home banking and other financial services. OCC Conditional Approval Letter No. 221 (December 4, 1966) OCC Ltr. LEXIS 139; Bank subsidiary may provide home banking services as well as Internet access and Internet banking services to customers and non-bank customers. Interpretive Letter No. 742, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-106, 1996 WL 763032 OCC, 1996 OCC Ltr. LEXIS 93 (September, 1996).

## **Home Equity Lines of Credit.**

Bank may lend to its customers via home equity lines of credit, subject to certain safety and soundness related limitations. Advisory Letter 87-4, reprinted in [1987-1988 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 87,184 (October 26, 1987); Interpretive Letter No. 803, reprinted in [1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-250, 1998 WL 320183 (October 7, 1997); 12 C.F.R. § 34.3.

## **HUD Obligations - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite without limitation obligations which are insured by the Secretary of Housing and Urban Development under Title XI of the National Housing Act (12 U.S.C.A. § 1749aaa, et seq.) 12 U.S.C. § 24(Seventh).

## **HUD Obligations - Purchase, Dealing, and Underwriting of HUD Obligations Insured under Section 207 of the National Housing Act.**

Bank may purchase, deal in, and underwrite without limitation obligations which are insured by the Secretary of Housing and Urban Development pursuant to section 207 of the National Housing Act (12 U.S.C.A. § 1713), if the debentures to be issued in payment of such insured obligations are guaranteed as to principal and interest by the United States. 12 U.S.C. § 24 (Seventh).

## **Incidental Powers.**

Bank may conduct all such incidental powers as shall be necessary to carry on the business of banking. 12 U.S.C. § 24 (Seventh).

## **Indemnification of Directors and Officers.**

Bank may provide for payment of premiums on insurance covering legal fees, and expenses of institution affiliated parties. 12 C.F.R. § 7.2014. Bank may, in pursuance of its rights as a creditor, provide for indemnification of a bank employee who serves as a director of a debtor corporation undergoing a Chapter X reorganization. Interpretive Letter, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 185,002, (August 2, 1977).

## **Indemnification of Directors and Officers in Derivative Suits.**

Bank may provide in its articles of association for indemnification of directors, officers, and employees. Interpretive Letter No. 404, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,628, 1987 WL 149902 (March 5, 1987); 12 C.F.R. § 7.2014(b).

## **Independent Undertakings.**

“See Letters of Credit.”

## **Individual Retirement Accounts ("IRAs").**

Bank without trust powers may act as IRA custodian if the individual retirement account funds are held in savings or time deposit accounts. Interpretive Letter No. 302, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,472, 1984 WL 63809 (February 21, 1984).

## **Industrial Development Revenue Bonds - Purchase and Sale.**

Bank may purchase and sell industrial development revenue bonds for its own account. Interpretive Letter No. 174, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,255, 1980 WL 48448, 1980 OCC Ltr. LEXIS 3 (December 16, 1980).

## **Information Analysis and Execution Services.**

Bank's subsidiary may act as general partner in a joint venture providing information analysis and execution services. Standards for subsidiary as general partner set forth with respect to various securities. Interpretive Letter No. 516, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,220, 1990 WL 364902, 1990 OCC Ltr. LEXIS 33 (July 12, 1990); 12 C.F.R. §§ 5.34(e)(2)(ii)(H); 5.34(e)(3)(ii)(F); 7.1002 and 7.1019.

## **Insurance - Acting as Finder for Insurance Companies.**

Bank may act as finder for insurance companies or service vendors for its customers. Banks can perform referral and clerical services for the sale of homeowners' insurance to its mortgage loan customers, because this is tantamount to acting as a finder. Interpretive Letter No. 472, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,008, 1989 WL 303688, 1989 OCC Ltr. LEXIS 21 (March 2, 1989); Interpretive Letter No. 566, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,320, 1991 WL 340663, 1991 OCC Ltr. LEXIS 104 (December 2, 1991); Interpretive Letter No. 653, reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,601, 1994 WL 748902 (December 22, 1994); 12 C.F.R. § 7.1002.

## **Insurance Agent.**

A bank or the office of a bank located in a community of less than 5,000 inhabitants may act as an insurance agent even if the principal office of the bank is located in a larger community. The place of 5,000 must be the bank insurance agency's business location for licensing purposes and the business records of the agency, including copies of customer application and policy information, licensing, customer complaints and other compliance records must be available there. Interpretive Letter No. 753, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,107 (November 4, 1996), 1996 WL 655026, 1996 OCC Ltr. LEXIS 134, (contains extensive analysis of and historical background on what insurance activities are permissible under 12 U.S.C. §92). Interpretive Letter No. 824, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-273, 1998 WL 121785 (February 27, 1998); Interpretive Letter No. 823, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,272, 1998 WL 121783 (February 27, 1998); Interpretive Letter No. 844, reprinted in [1998-1999 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-299 (October 20, 1998)(permanent satellite offices in places of more than 5,000 in Louisiana).

## **Insurance - Consulting**

Bank operating subsidiary may make a minority investment in a corporation that provides marketing and consulting services to insurance agencies. Conditional Approval No. 302 (January 21, 1999).

## **Insurance - Death and Dismemberment**

Bank may provide free accidental death and dismemberment insurance to deposit

customers. Interpretive Letter No. 566, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,320) 1991 OCC Ltr. LEXIS 104 (December 2, 1991).

### **Insurance - Private Deposits Over \$100,000.**

Bank may purchase an insurance company's surety bond to insure private deposits over \$100,000. Interpretive Letter No. 323, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,493, 1985 WL 73150, 1985 OCC Ltr. LEXIS 22 (January 8, 1985); Interpretive Letter No. 445, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,669, 1988 WL 425683 (August 16, 1988).

### **Insurance - Reinsurance.**

Bank may establish operating subsidiary to reinsure portions of mortgage insurance on loans bank or its affiliates originate or purchase. Corporate Decision No. 98-10 (Jan. 28, 1998); Corporate Decision No. 98-15 (Feb. 19, 1998); Corporate Decision No. 99-04 (Dec. 23, 1998); Bank may engage in reciprocal mortgage reinsurance exchange. Interpretive Letter No. 828, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,277, 1998 WL 295639 (April 6, 1998); Interpretive Letter No. 835 (August 18, 1998); Corporate Decision No. 98-40 (August 18, 1998); Corporate Decision No. 99-02 (December 11, 1998). A bank may reinsure private mortgage insurance on mortgage loans serviced by the bank and its lending affiliates. Mellon Bank, N.A., Pittsburgh, PA - Corporate Decision 98-40 (August 18, 1998). A bank may reinsure and underwrite credit life insurance, credit disability, and/or involuntary unemployment insurance sold to customers that borrow from the bank and/or lending affiliates and/or subsidiaries. Bank of America, N.A., San Francisco, CA - Corporate Decision 97-92 (October 17, 1997); Fleet National Bank, Providence, RI - Corporate Decision 98-28 (May 11, 1998); First National Bank of Manchester, TN - Corporate Decision 98-31 (May 26, 1998). A bank's captive mortgage reinsurance subsidiary may enter a mortgage reinsurance agreement with a Cayman Islands segregated portfolio company, to reinsure private mortgage insurance on loans originated or purchased by the bank or one of its affiliates. Interpretive Letter No. 862 (June 7, 1999), reprinted in [Current Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ \_\_\_\_ (June 7, 1999).

### **Insured Mortgage Investments.**

Bank's operating subsidiary may act as managing general partner of a Delaware limited partnership dealing in insured mortgage investments. Interpretive Letter No. 423, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,647, 1988 WL 282348, 1988 OCC Ltr. LEXIS 27 (April 11, 1988); 12 U.S.C. § 24 (Seventh); 12 C.F.R. § 5.34(e)(2)(ii)(L).

### **Inter-American Development Bank Obligations - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite obligations of the Inter-American Development Bank in an amount up to 10% of the bank's capital and surplus. 12 C.F.R. § 1.3(b); 12 U.S.C. § 24 (Seventh).

### **Inter-American Investment Corporation Obligations - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite obligations of the Inter-American Investment Corporation in an amount up to 10% of the bank's capital and surplus. 12 C.F.R. § 1.3(b), 12 U.S.C. § 24 (Seventh).

### **Interbank Debt Obligations.**

Bank may place debentures without recourse with foreign banks that are not affiliated with U.S. banks. Interpretive Letter No. 48, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,123, 1978 WL 21878, 1978 OCC Ltr. LEXIS 22 (June 28, 1978).

### **International Activities and Foreign Branches.**

Bank may establish a branch in a foreign country and engage in international activities upon prior notification of the Comptroller of the Currency. 12 U.S.C. § 601 et seq., 12 U.S.C. §§ 28.1-28.5.

### **International Bank for Reconstruction and Development Obligations - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite obligations of the International Bank for Reconstruction and Development in an amount up to 10% of the bank's capital and surplus. 12 C.F.R. § 1.3(b); 12 U.S.C. § 24 (Seventh).

### **International Finance Corporation Obligations - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite obligations of the International Finance Corporation in an amount up to 10% of the bank's capital and surplus. 12 C.F.R. § 1.3(b); 12 U.S.C. § 24 (Seventh).

### **Investing in Mortgage-Related Securities Via Mutual Funds.**

Bank may generally purchase mortgage-related securities, and may, therefore, invest in mutual funds which own eligible mortgage-related securities. Investment Securities Letter No. 15, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,885, 1987 OCC Ltr. LEXIS 9 (February 11, 1987); Interpretive Letter No. 826, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-275, 1998 WL 882492 (March 17, 1998); 12 C.F.R. §§ 1.3(h).

### **Investment Advisory Services.**

Banks and their operating subsidiaries have the authority to provide investment advice as part of or incidental to the business of banking under 12 U.S.C. §24 (Seventh). Investment advice is also authorized by the trust powers provisions in 12 U.S.C. § 92a. Conditional Approval No. 190, 1995 OCC Ltr. LEXIS 198 (December 18, 1995); Interpretive Letter No. 648, reprinted in [1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,557, 1994 WL 269169 (May 4, 1994); Interpretive Letter No. 647, reprinted in [1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,558, 1994 WL 271272 (April 15, 1994); Interpretive Letter No. 367, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,537, 1986 WL 89625, 1986 OCC Ltr. LEXIS 9, (April 9, 1993). Bank may establish a wholly-owned operating subsidiary to provide investment portfolio management services and computer networking packages for other financial institutions. Interpretive Letter No. 754, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,118, 1996 WL 697565, 1996 OCC Ltr. LEXIS 123, (November 6, 1996). Bank may offer investment advice with respect to options, futures, and options on futures on both financial and non-financial commodities. Conditional Approval No. 190, 1995 OCC Ltr. LEXIS 189 (December 18, 1995); Interpretive Letter No. 494, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,083, 1989 WL 303704, 1989 OCC Ltr. LEXIS 99, (December 20, 1989). Bank's subsidiary may provide employee benefit and compensation advisory services to small business customers and provide human resources and career counseling services to the customer's employees. Corporate Decision No. 98-51(November 30, 1998). Operating subsidiary may perform investment advisory, brokerage, and administrative services for related mutual funds. Interpretive Letter No. 648, reprinted in [1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,557, 1994 WL 269169, 1994 OCC Ltr. LEXIS 77 (May 4, 1994).

### **Investment Securities - Purchase for Own Account.**

Bank may purchase for its own account investment securities under such limitations and restrictions as the Comptroller of the Currency may by regulation prescribe. Investment securities are debt obligations that are of investment quality and are readily marketable. 12 U.S.C. § 24 (Seventh). 12 C.F.R. Part 1. Bank may become a limited partner in a limited partnership that invests solely in fixed income securities in which a national bank may invest directly. Interpretive Letter No. 687, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-002 (September 5, 1995). Bank may purchase an investment product holding only bank-eligible securities in an insurance company separate account. Interpretive Letter No. 826, reprinted in [1997-1998 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-275 (March 17, 1998).

### **Issuance and Sale of Securities Guaranteed under Section 1721(g) of Title 12.**

Bank may issue and sell securities which are guaranteed pursuant to section 1721(g) of Title 12 of the U.S. Code. 12 U.S.C. § 24 (Ninth).

### **Japanese Yen Debentures.**

Bank may purchase, deal in, underwrite and hold Japanese yen debentures that are FNMA obligations. Interpretive Letter No. 358, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,528, 1986 WL 85090, 1986 OCC Ltr. LEXIS 2 (March 26, 1986); 12 U.S.C. § 24 (Seventh).

### **Joint Venture to Facilitate Health Insurance Payments Through Shared EFT Technology.**

Bank may enter into a joint venture with health insurance carriers to form electronic funds transfer system, notwithstanding fact that system will also transmit some treatment information. Interpretive Letter No. 419, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,643, 1988 WL 284803, 1988 OCC Ltr. LEXIS 11 (February 16, 1988);

### **Key Man Insurance.**

Bank may purchase insurance for benefit of bank on life of a bank officer. OCC Banking Bulletin 96-51, reprinted in 4 Fed. Banking L. Rep. (CCH) ¶ 35-491, 1996 WL 560115, 1996 OCC CB LEXIS 92 (September 20, 1996)

### **Lease of Bank Property to Third Party.**

Bank may lease excess space on bank premises to other businesses, share space with other businesses or offer its services in space owned or leased to other businesses. 12 C.F.R. § 7.3001; Bank may lease space above its parking garage to a third party for the purpose of erecting an office building if the nonbanking business appears separate from the banking business, the relationship between the two entities is at arm's length, and security problems presented by such an arrangement are considered by the bank. Interpretive Letter, 1986 WL 143883 (December 23, 1986).

### **Lease Consulting Services.**

Banks may engage in property leasing activities through a subsidiary, including lease



consulting services, finder services, and lease servicing. Interpretive Letter No. 567, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,337, 1991 OCC Ltr. LEXIS 124 (October 29, 1991); 12 C.F.R. § 5.34(e)(2)(ii)(M).

### **Lease of DPC Property.**

Bank may enter into a lease agreement regarding DPC property, subject to conditions and limitations. Interpretive Letter dated September 2, 1977, reprinted in [1977-1978 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,022; 12 U.S.C. §§ 29(First); 34.83(a)(3).

### **Lease Financing.**

Bank may engage in personal property lease financing. OCC Banking Bulletin 91-47, [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 88,692 (December 3, 1991); 12 U.S.C. §§ 24(Seventh) and 24 (Tenth); 12 C.F.R. § 23.1(a).

### **Lease Interest in Natural Gas.**

Bank's operating subsidiary may own a working interest in a natural gas lease when ownership interest is equivalent to secured lending. Corporate Decision No. 98-17 (March 23, 1998).

### **Lease of Personal Property.**

Bank and bank's operating subsidiary may engage in personal property leasing activities. 12 U.S.C. §§ 24(Seventh), 24(Tenth); 12 C.F.R. § 23, 5.34(e)(2)(ii)(M). Bank may provide finder services for personal property leasing. Interpretive Letter No. 567, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,337, 1991 WL 525863, 1991 OCC Ltr. LEXIS 124 (October 29, 1991), Personal Property leasing extends to "site" or "facilities" leasing and thus allows leasing of associated real property. Corporate Decision No. 98-35 (June 10, 1998).

### **Lease of Public Facilities.**

Bank may lease a building to a municipality so long as lease agreement provides that municipality will become owner of building upon expiration of lease. 12 C.F.R. § 7.1000(d).

### **Lease of Real Property**

Bank may lease real property that is incidental to a permissible lease of personal property, e.g., land upon which a leased manufacturing facility stands. Interpretive Letter No. 770, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-134 (February 10, 1997); Corporate Decision No. 98-35 (June 10, 1998).

### **Leasing Bank Employees from Third Party.**

Bank may lease the services of its employees from a third party so long as the board of directors continues to retain and exercise general supervision over the affairs of bank. Interpretive Letter No. 431, reprinted in Fed. Banking L. Rep. (CCH) ¶ 85,655, 1987 WL 154112, 1987 OCC Ltr. LEXIS 109 (November 5, 1987); 12 C.F.R. § 7.2010; OCC Directors Book.

### **Leasing Bank Lobby to Securities Brokers, Real Estate Brokers,**

## **Insurance Agents, Travel Agents.**

Bank may lease bank premises to unaffiliated entities which engage in brokerage activities and the rental payments made to the bank may be based on a percentage of gross commissions received by the tenant. Interpretive Letter, 1986 WL 144030 (October 21, 1986); Interpretive Letter, 1986 WL 144031 (December 11, 1986); Interpretive Letter No. 406, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,630, 1987 WL 154118, 1987 OCC Ltr. LEXIS 41 (August 4, 1987); Interpretive Letter No. 407, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,631, 1987 WL 154117, 1987 OCC Ltr. LEXIS 40 (August 4, 1987); Interpretive Letter No. 408, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,632, 1987 WL 154119, 1987 OCC Ltr. LEXIS 42 (August 4, 1987); Interpretive Letter No. 533, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,244, 1990 WL 364924, 1990 OCC Ltr. LEXIS 52 (October 5, 1990); Interpretive Letter No. 562, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,313, 1991 WL 340671, 1991 OCC Ltr. LEXIS 89 (August 26, 1991); OCC Letter No. 274, reprinted in [1983-1984 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,438, 1983 WL 54161, 1983 OCC Ltr. LEXIS 23 (December 2, 1983); Interpretive Letter No. 680, reprinted in [1994-1995 Transfer Binder], Fed. Banking L. Rep. (CCH) ¶ 83,628, 1995 WL 550232, 1995 OCC Ltr. LEXIS 94 (July 26, 1995); Interpretive Letter No. 399, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,623, 1987 WL 149898 (October 29, 1987); Interpretive Letter No. 342, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,512, 1985 WL 73134 (May 22, 1985); 12 C.F.R. § 7.3001(a).

## **Leasing Excess Security/Fire Alarm Capacity.**

Bank may lease excess monitoring capacity of its security/fire alarm system to other financial institutions. Interpretive Letter, 1987 WL 149789 (September 17, 1987).

## **Lending on Personal Security.**

Bank may loan money on personal security. 12 U.S.C. § 24(Seventh).

## **Lending Via Draft Authorization Letters.**

Bank may enter into commitment to lend via draft authorization letter, as long as the standards for letters of credit are met. Interpretive Letter No. 615, reprinted in [1992-1993 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,455, 1993 WL 99168, 1993 OCC Ltr. LEXIS 9 (February 2, 1993); 12 C.F.R. § 7.1016.

## **Letters of Credit.**

Bank may issue a letter of credit that does not fix a specific expiration date or state a limitation in amount, so long as the instrument permits the bank to terminate its liability within a specified period of time and establishes a daily limit beyond which the bank will not honor the draft. Interpretive Letter No. 239, reprinted in [1983-1984 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,403, 1982 WL 54144, 1982 OCC Ltr. LEXIS 13 (March 10, 1982); Interpretive Letter No. 615, reprinted in [1992-1993 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,455, 1993 WL 99168, 1993 OCC Ltr. LEXIS 9 (February 2, 1993); 12 C.F.R. § 7.1016.

## **Life Insurance - Purchase.**

Bank may, within certain limits and with proper analysis of the risks involved, purchase life insurance for the following purposes: as a financing or cost recovery vehicle for employee benefit plans; as a split-dollar life insurance arrangement to provide retirement and/or death benefits to certain employees; as protection against the loss of a "key person;" as protection against loss due to a borrower's death. Further, bank may take an interest in an existing life insurance policy as security for a loan. OCC Bulletin No. 96-51, reprinted in 4 Fed. Banking L. Rep. (CCH) ¶ 35-491, 1996 WL 560115, 1996 OCC CB LEXIS 92 (September 20, 1996).

## **Loans on Security of Bank's Own Stock.**

Bank may make a loan on the security of its own shares of capital stock or be the purchaser or holder of such shares, only if the security or purchase is necessary to prevent a loss on a debt previously contracted and the purchased stock is sold within six months. 12 U.S.C. § 83; 12 C.F.R. § 7.2019.

## **Loan Origination and Servicing Activities.**

Bank's operating subsidiary may engage in loan origination and servicing activities, as well as commercial mortgage loan brokerage services. Interpretive Letter 387, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,611, 1987 WL 154124, 1987 OCC Ltr. LEXIS 22 (June 22, 1987). Bank's operating subsidiary may make, purchase, sell, service or warehouse loans or other extensions of credit for its own or another's account, including consumer loans credit cards loans, commercial loans, residential mortgage loans and commercial mortgage loans. 12 C.F.R. §§ 5.34(e)(2)(ii)(L), 34.1(b).

## **Loan Participations.**

Bank may purchase participation interests in pooled loans which are federally guaranteed or insured, subject to safety and soundness restrictions. Interpretive Letter No. 579, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 183,349, 1992 WL 266690, 1992 OCC Ltr. LEXIS 16 (March 24, 1992); 12 C.F.R. § 34.3.

## **Loan Production Offices.**

Bank may establish a loan production office to solicit and originate business outside of its main office and authorized branches, provided that the loans originated at LPOs are approved and made at bank's main office or branch or at an office of the operating subsidiary located on or contiguous to the premises of the main office or branch office of the bank. A national bank and its operating subsidiary may make a credit decision regarding a loan application at a site other than the main office or a branch of the office provided that "money" is not deemed to be "lent" at those other sites. 12 C.F.R. § 7.1004, § 7.1005; OCC Banking Circular No. 199, 4 Fed. Banking L. Rep. (CCH) ¶ 45-595, 1985 WL 154798, 1985 OCC CB LEXIS 12 (May 23, 1985).

## **Loan Repurchase Agreements.**

Bank may agree to repurchase loans or other assets. Interpretive Letter No. 415, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,639, 1987 WL 154109, 1988 OCC Ltr. LEXIS 13 (February 12, 1987); 12 C.F.R. § 32.2.

## **Loans to an ESOP.**

Bank, as a disqualified person who serves as trustee or service provider to an ESOP, may make qualified term loans through its commercial loan division to a company sponsoring an ESOP. Trust Interpretation No. 241, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,082, 1989 WL 303766, 1989 OCC Ltr. LEXIS 96 (November 14, 1989).

## **Local Public Agency Obligations - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, and underwrite without limitation obligations of any local public agency (as defined in section 110(h) of the Housing Act of 1949 (42 U.S.C.A. §

1460(h)) that are secured by an agreement between the local public agency and the Secretary of Housing and Urban Development. 12 U.S.C. § 24(Seventh).

### **Loan Assets - Purchase and Sale.**

Bank's operating subsidiary may purchase loan assets from the bank and sell them to third parties. Interpretive Letter No. 416, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,640, 1988 WL 284802, 1988 OCC Ltr. LEXIS 14 (February 16, 1988).

### **Loan Customer List - Sale to Insurance Agency.**

Bank may sell list of loan customers to an insurance agency that has a percentage lease arrangement with the bank. Interpretive Letter No. 316, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,486, 1984 WL 63822, 1984 OCC Ltr. LEXIS 4 (December 4, 1984); Interpretive Letter No. 566, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,320, 1991 WL 340663, 1991 OCC Ltr. LEXIS 104 (December 2, 1991).

### **Lock Services.**

Bank may offer vault, lock and ATM services to other financial institutions as correspondent services. No-Objection Letter No. 90-3, reprinted in [1990-1991 Transfer Binder] Fed Banking L. Rep. (CCH) ¶ 83,207, 1990 WL 364783, 1990 OCC Ltr. LEXIS 24 (May 2, 1990).

### **Lotteries.**

Bank can perform lawful banking services for a state operating a lottery or state employees administering the lottery. 12 U.S.C. § 25a(d).

### **Mandatory Convertible Security - Purchase and Holding.**

Bank may purchase mandatory convertible security where the corporation cannot exercise its conversion prior to a certain date, so long as the bank disposes of the security before that date. Interpretive Letter, 1986 WL 143927 (April 22, 1986).

### **Margin Loans.**

Bank's operating subsidiary may make margin loans to customers. Interpretive Letter 326, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,496, 1985 WL 73120, 1985 OCC Ltr. LEXIS 20 (January 17, 1985).

### **Marketing of Computer Software.**

Bank's operating subsidiary may be a general partner with a corporation, where the purpose of the general partnership is to develop and market banking-related computer software to financial institutions and companies that process items for them. Interpretive Letter, 1990 WL 362196 (December 6, 1990). Bank may, as licensee of computer software, market the software with related hardware to other financial institutions as a correspondent service, provided the sale of the hardware does not dominate the overall package. Interpretive Letter, 1987 WL 149776, July 13, 1987; 12 C.F.R. § 7.1019.

### **Marketing of Third-Party Securities and Annuities Products.**

Bank's operating subsidiary may engage in third-party marketing of securities and annuities products. OCC Conditional Approval No. 208 (June 29, 1996).

### **Membership in Foreign Exchange.**

Bank's operating subsidiary may engage in exchange membership, floor trading, and market making activities related to foreign exchange subject to certain conditions and restrictions, provided the bank is free from liability arising from the subsidiary's exchange membership. Interpretive Letter No. 422, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,646, 1988 WL 282349, 1988 OCC Ltr. LEXIS 28 (April 11, 1988).

## **Merchant Processing**

Bank operating subsidiary may enter into a general partnership with an unaffiliated third party to engage in credit card merchant processing. Conditional Approval No. 170 (March 24, 1995); Conditional Approval No. 171 (March 24, 1995). Bank operating subsidiary may be a member of a limited liability company that will perform merchant processing. Interpretive Letter No. 689, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-004 (August 9, 1995).

## **Messenger Services.**

Bank may establish and operate a messenger service with its customers. 12 C.F.R. § 7.1012. Bank may expand its messenger operations to offer the excess capacity to correspondent banks. No Objection Letter No. 89-04, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,061, 1989 WL 303752, 1989 OCC Ltr. LEXIS 73 (July 11, 1989).

## **Money Orders - Sale.**

Bank may sell money orders at non-bank locations. 12 C.F.R. § 7.1014.

## **Monitoring Security Systems.**

Bank may lease excess monitoring capacity of its fire/security alarm system to other financial institutions. Unpublished Interpretive Letter, 1987 WL 149789 (September 17, 1987).

## **Mortgage Banking Subsidiary.**

Bank may establish an operating subsidiary which will be a mortgage company that will operate as a mortgage company in its own right, as well as hold the outstanding voting stock in three mortgage companies that the bank now owns directly and will perform management, administrative, and operational activities for the companies. Interpretive Letter, 1986 WL 143894 (December 19, 1986).

## **Mortgage Collateral Warehousing.**

Bank's operating subsidiary may warehouse mortgage collateral for a lender other than its parent bank, and in connection with this activity it may receive, verify, and store documentation relating to loans and collateral. Interpretive Letter, 1986 WL 143932 (May 28, 1986); 12 C.F.R. § 5.34(e)(2)(ii)(L).

## **Mortgage Servicing.**

Bank may act as agent to service mortgages. Interpretive Letter No. 387, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,611, 1987 WL 154124, 1987 OCC Ltr. LEXIS 22 (June 22, 1987); Interpretive Letter No. 743, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-108, 1996 WL 636764 (October 17, 1996). Bank may expand the activities of its operating subsidiary to include being a 50% equity partner and sole general partner in a limited partnership formed for the purpose of conducting a mortgage servicing operation. Interpretive Letter, 1986 WL 143932 (July 23, 1986).

## **Municipal Bond Insurance.**

Bank's operating subsidiary may issue standby letters of credit in form of municipal bond insurance. Interpretive Letter No. 338, reprinted in Fed. Banking L. Rep. (CCH) ¶ 85,508, 1985 OCC Ltr. LEXIS 23 (May 2, 1985); American Insurance Association v. Clarke, 865 F2d 278 (D.D.C. 1988).

## **Municipal Finance Consulting.**

Bank may act as a municipal finance advisor. Interpretive Letter 122, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,203, 1979 WL 25441, 1979 OCC Ltr. LEXIS 11 (August 1, 1979); Interpretive Letter No. 434, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,658, 1988 WL 284808, 1988 OCC Ltr. LEXIS 38 (June 27, 1988).

## **Municipal Leases and Installment Purchase Contracts - Underwriting.**

Bank may underwrite the sale of municipal leases and installment purchase contracts. Interpretive Letter No. 250, reprinted in [1983-1984 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,414, 1982 WL 54155, 1982 OCC Ltr. LEXIS 4 (October 6, 1982).

## **Municipal Securities Dealers.**

Bank may act as a municipal securities dealer. 15 U.S.C. § 78c(a)(30)(B); 12 C.F.R. § 10.1-10.2.

## **Mutual Fund Shares - Purchase and Sale for Account of Others.**

Bank may purchase or sell shares in mutual funds as agent without recourse upon a customer's order. Interpretive Letter No. 363, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,533, 1986 WL 85092, 1986 OCC Ltr. LEXIS 6 (May 23, 1986).

## **NOW Accounts.**

Bank may establish NOW accounts. 12 U.S.C. § 1832(a).

## **Obligations of the United States - Purchase, Dealing, and Underwriting.**

Bank may purchase, deal in, underwrite, and hold without limitation bonds which are indirect obligations of the United States. Interpretive Letter No. 90, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,165, 1979 WL 25447, 1979 OCC Ltr. LEXIS 45 (April 30, 1979); 12 U.S.C. § 24(Seventh); 12 C.F.R. § 1.2, 1.3.

## **Options and Futures - Agricultural.**

Bank's operating subsidiary may act as futures commission merchant for agricultural futures transactions for bank customers, regardless of a credit relationship. Interpretive Letter No. 507, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,205, 1990 WL 364908, 1990 OCC Ltr. LEXIS 22 (May 5, 1990); Interpretive Letter No. 494, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,083, 1989 WL 303704, 1989 OCC Ltr. LEXIS 99 (December 20, 1989); 12 C.F.R. § 5.34(e)(3)(ii)(C).

### **Original Issue Discount Municipal Bonds - Purchase and Holding.**

Bank may purchase and hold OID municipal bonds, subject to certain conditions, provided the aggregate par value of securities issued by any one obligor does not exceed 10% of bank's capital and surplus. 12 C.F.R. § 1.3.

### **Participation in Equipment Lease Financing Receivable.**

Bank may purchase a participation interest of less than 100% in an equipment lease financing receivable and such purchase would not be a participation in a partnership. Interpretive Letter No. 374, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,544, 1986 WL 85081, 1986 OCC Ltr. LEXIS 18 (December 4, 1986).

### **Participation in Small Business Administration Guaranteed Loans.**

Bank may purchase participation in SBA guaranteed loans, subject to certain conditions and limitations. Interpretive Letter No. 350, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,520, 1985 WL 73144, 1985 OCC Ltr. LEXIS 26 (September 19, 1985).

### **Participation in Syndicated Credit Facilities Involving Non-Banks.**

Bank may purchase participation in a guaranty issued by a non-bank agent for a syndication of lenders with respect to their borrower's letter of credit reimbursement obligations to another bank or financial institution. Interpretive Letter No. 738, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-100, 1996 WL 544187 (August 14, 1996); 12 C.F.R. § 7.1016.

### **Partnership Arrangements to Finance Leveraged Buy-Outs.**

Bank may establish an operating subsidiary to form a partnership with an affiliate of an investment bank to finance medium-term commercial loans, leveraged buy-outs and recapitalizations. Interpretive Letter No. 517, reprinted in [1990-1991 Transfer Binder], Fed. Banking L. Rep. (CCH) ¶ 83,228, 1990 WL 364903, 1990 OCC Ltr. LEXIS 40 (August 16, 1990).

### **Pass-Through Participation Certificates - Purchase.**

Bank may purchase pass-through participation certificates that represent interests in pools of FHA-insured Title I property improvement loans. Interpretive Letter No. 579, reprinted in [1991-1992 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,349, 1992 WL 266690, 1992 OCC Ltr. LEXIS 16 (March 24, 1992).

### **Payment Processing.**

Bank may provide billing, collection and claims-processing services related to the processing of payments for customers. OCC Corporate Decision No. 98-12 (February 9, 1998); Interpretive Letter No. 712, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-027, 1996 WL 159215 (February 29, 1996); Interpretive Letter No. 718, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-033, 1996 WL 223691 (March 14, 1996).

### **Payment-in-Kind Certificates.**

Bank may purchase P-I-K certificates as an agent or intermediary for its customers but may not purchase them as principal even if the purchase is intended to reduce the P-I-K certificates to cash for customers. Investment Securities Letter No. 34, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,040, 1989 WL 303735, 1989 OCC Ltr. LEXIS 49 (January 30, 1989).

### **Payroll Issuer.**

Bank may act as a payroll issuer for its customers. 12 C.F.R. § 7.1011.

### **Payment Up Front Fast (“PUFF”) Program.**

Bank may establish a program marketed through an unaffiliated freight forwarding firm which enables exporters to obtain advance payment for goods sold to an overseas buyer. No Objection Letter No. 89-03b, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,060, 1989 WL 303751, 1989 OCC Ltr. LEXIS 72 (June 29, 1989).

### **Pledging Assets.**

Bank may pledge investment securities to secure its borrowings, within limits imposed by the need to maintain adequate liquidity. Interpretive Letter, 1987 WL 149807 (December 16, 1987); Interpretive Letter No. 378, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,602, 1987 WL 154133, 1987 OCC Ltr. LEXIS 2 (March 24, 1987).

### **Pledging Assets to Secure Public Deposit.**

Bank may pledge assets to secure public deposits. 12 U.S.C. § 90; 25 U.S.C. § 162a; Interpretive Letter No. 527, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,238, 1990 WL 364917, 1990 OCC Ltr. LEXIS 46 (September 13, 1990).

### **Pledging Assets to Secure Trust Funds on Deposits.**

Bank must pledge assets to secure trust funds on deposit that are awaiting investment or distribution, but the bank may not pledge assets to secure trust funds deposited for investment. 12 U.S.C. § 92a(d); 12 C.F.R. § 9.10; Interpretive Letter No. 453, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,677, 1988 WL 284821, 1988 OCC Ltr. LEXIS 105 (October 20, 1988). Bank may deposit trust funds that are awaiting investment or distribution with an affiliated insured depository institution and may set aside collateral as security for a deposit by or with an affiliate unless prohibited by applicable law. 12 C.F.R. § 9.10(c); Interpretive Letter No. 699, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81,014, 1995 WL 813257, 1995 OCC Ltr. LEXIS 213 (November 6, 1995).

### **Postal Service.**

Bank may operate and receive income from a postal substation on its premises. 12 C.F.R. § 7.1010.

### **Private Placement of Asset-Backed Securities and Mortgage-Related Products.**

Bank may privately place mortgage-backed pass-through certificates representing an interest in a pool of first and second mortgages. Interpretive Letter No. 194, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,275, 1981 WL 57800, 1981 OCC Ltr. LEXIS 52 (May 29, 1981); Interpretive Letter No. 25, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,100, 1978 WL 21869, 1978 OCC Ltr. LEXIS 41 (February 14, 1978).

### **Private Placement of Equity Investments in Real Estate Development.**

Bank and its wholly-owned operating subsidiary may engage in private placement of equity interests in real estate to finance a development project. Interpretive Letter No. 271, reprinted in [1983-1984 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,435, 1983 WL 54156, 1983 OCC Ltr. LEXIS 5 (September 21, 1983).



### **Private Placement of Securities.**

Bank may participate in the private placement of investment securities. Interpretive Letter No. 32, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,107, 1977 WL 23310, 1977 OCC Ltr. LEXIS 11 (December 9, 1977). Bank's operating subsidiary may, as agent for the bank's customers, conduct private placement of debt and equity securities. Interpretive Letter No. 463, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,687, 1988 WL 284832, 1988 OCC Ltr. LEXIS 120 (December 27, 1988).

### **Promissory Notes Secured by Lien on Improved Real Estate.**

Bank may invest in promissory notes secured by a first lien on improved real estate (offered and sold pursuant to section 4(5) of the Securities Act of 1933 (15 U.S.C. § 77d(5)). 12 U.S.C. § 24(Seventh).

### **Property Management Services.**

Bank may employ investment advisors to provide investment advice and property management services to collective investment funds as long as the bank retains exclusive management of the funds. Trust Interpretation No. 215, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,026, 1989 WL 303729, 1989 OCC Ltr. LEXIS 42 (May 11, 1989); 12 C.F.R. § 9.18(b)(2).

### **Public Depository.**

Bank may be a depository of public money. 12 U.S.C. § 90, 265.

### **Public Housing Agency Obligations - Purchase and Sale, Dealing, and Underwriting.**

Bank may deal in, underwrite, and purchase and sell without limitation obligations of a public housing agency (as defined in the United States Housing Act of 1937, as amended (42 U.S.C.A. § 1437 et seq.) that are secured (1) by an agreement between the public housing agency and the Secretary of Housing and Urban Development, (2) by a pledge of annual contributions, or (3) by a pledge of annual contributions and a loan between the public housing agency and the Secretary. 12 U.S.C. § 24(Seventh); 12 C.F.R. § 1.3(a).

### **Real Estate Asset Management Services.**

Bank's operating subsidiary may furnish real estate asset management and advisory services to other financial institutions. Interpretive Letter No. 389, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,613, 1987 WL 154121, 1987 OCC Ltr. LEXIS 24 (July 7, 1987).

### **Real Estate Investment Trust (REIT) Advisor.**

Bank's operating subsidiary may act as an investment or financial adviser (not involving the exercise of investment discretion) and provide financial counseling, including serving as the advisory company for a mortgage or real estate investment trust. 12 C.F.R. § 5.34(e)(2)(ii)(I)(1).

### **Real Estate Closing Services.**

Bank may have an operating subsidiary that provides real estate closing and escrow services to the bank, other lenders and occasionally to the general public. Corporate

### **Real Estate Consulting.**

Bank's operating subsidiary may act as finder in locating, analyzing and making recommendations regarding the purchase of property and may make recommendations concerning the sale of property, but the bank may not act as broker in performing these activities. Interpretive Letter No. 508, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,206, 1990 WL 364909, 1990 OCC Ltr. LEXIS 23 (April 6, 1990); Interpretive Letter No. 238, reprinted in [1983-1984 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,402, 1982 WL 54143, 1982 OCC Ltr. LEXIS 16 (February 9, 1982).

### **Real Estate Loans.**

Bank can make, arrange, purchase or sell loans secured by liens on real estate. 12 U.S.C. § 371(a); 12 C.F.R. § 34.3. Bank's operating subsidiary may make commercial real estate loans, including construction and development loans, as originator or participant. Interpretive Letter No. 389, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,613, 1987 WL 154121, 1987 LEXIS 24 (July 7, 1987). Bank may make a minority investment in a limited liability company that will make mortgage loans. Interpretive Letter No. 853, reprinted in [1998-1999 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-310 (February 16, 1999).

### **Real Estate Loan Census Tract Analysis**

Bank operating subsidiary may make a minority investment in a limited liability company that will perform HMDA census tract analysis for real estate loans originated by the bank and its affiliates. Conditional Approval No. 276 (May 8, 1998).

### **Real Estate Loan Documentation Preparation**

Bank operating subsidiary may make a minority investment in a limited liability company that will prepare documents for real estate loans originated by the bank and its affiliates. Conditional Approval No. 276 (May 8, 1998).

### **Real Estate Loan Portfolio Audit**

Bank operating subsidiary may make a minority investment in a limited liability company that will perform audit of flood insurance requirements for real estate loan portfolios of the bank and its affiliates. Condition Approval No. 276 (May 8, 1998).

### **Real Estate Swaps.**

Bank may exchange or "trade" OREO for other property provided the transaction is undertaken to substantially reduce or avoid potential loss on OREO property. Interpretive Letter No. 349, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,519, 1985 WL 73143, 1985 OCC Ltr. LEXIS 25 (September 12, 1985).

### **Real Estate Tax Service**

Bank operating subsidiary may make a minority investment in a limited liability company that will monitor real property tax requirements for real estate loan portfolios

of the bank and its affiliates. Conditional Approval No. 276 (May 8, 1998).

### **Repurchase Obligations.**

Bank may purchase securities subject to repurchase agreements, consistent with OCC Banking Circular 210 and limitations set out in the letter. Interpretive Letter No. 629, reprinted in [1993-1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,512, 1993 WL 646041, 1993 OCC Ltr. LEXIS 36 (July 2, 1993).

### **Revenue Bonds - Underwriting.**

Bank's operating subsidiary may underwrite, deal in, and invest in revenue bonds, provided it derives no more than 25% of its gross revenues from the activity. OCC Corporate Decision No. 98-48, reprinted in [Current Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-305 (October 20, 1998) OCC Conditional Approval No. 262 (December 11, 1997), Conditional Approval No. 297 (Dec. 9, 1998).

### **Sale of Loans to FHLMC.**

Bank may sell loans to FHLMC. 12 U.S.C. § 1454(b).

### **Sale of Merchandise**

Bank may sell small, low-cost items, such as t-shirts and coffee cups, with bank's logo, for promotional and advertising purposes, provided profit margin is nominal and bank does not engage in general merchandising. Interpretive Letter No. 690, reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-005 (October 2, 1995).

### **Sale of Nonconvertible Debt Securities**

National Banks may offer and sell nonconvertible debt securities. 12 C.F.R. § 16.6; Interpretive Letter No. 655, reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,603 (March 28, 1995).

### **School Savings Program.**

Bank may establish a savings program in a school using the PTA to collect funds to be deposited in the bank. No Objection Letter No. 89-03a, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,015, 1989 WL 303769, 1989 OCC Ltr. LEXIS 32 (April 21, 1989).

### **Securities Guaranteed by Federal Agricultural Mortgage Corporation - Purchase and Sale, Dealing, and Underwriting.**

Bank may deal in, underwrite, purchase, sell and hold securities fully guaranteed by the Federal Agricultural Mortgage Corporation without limitation. 12 U.S.C. § 24(Seventh); 12 C.F.R. § 1.3(a); Interpretive Letter No. 512, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,214, 1990 WL 364898, 1990 OCC Ltr. LEXIS 15 (July 9, 1990).

### **Securities Lending.**

Bank may lend securities from its own investment or trading account or from safekeeping, trust or pension accounts of its customers. OCC Banking Circular No. 196, reprinted in [1984-1985 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 86,248, 1985 WL 154821, 1985 OCC CB Lexis 15 (May 7, 1985).

### **Security and Guard Services.**

Bank's operating subsidiary which provides security and guard services for the bank

may also perform such services for affiliate banks and non-banks owned by the parent holding company. Interpretive Letter No. 398, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,622, 1987 WL 149897, 1987 OCC Ltr. LEXIS 45 (September 28, 1987).

### **Security Monitoring Services.**

Bank may provide security consulting services and security monitoring services to other financial institutions. No-Objection Letter No. 86-17, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 84,023, 1986 WL 217734, 1986 OCC Ltr. LEXIS 112 (October 31, 1986); Interpretive Letter, 1986 WL 143955 (June 6, 1986).

### **Securitization of Assets**

Bank operating subsidiary may enter into a general partnership to issue asset-backed securities, based on accounts receivable of health care providers. Conditional Approval No.150 (August 8, 1994).

### **Self-Insurance.**

Bank's operating subsidiary may serve as a captive insurance company for the purpose of providing insurance coverage on the business risks of the bank and bank's affiliates. Interpretive Letter No. 845, reprinted in [Current Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-300, 1998 WL 846683 (October 20, 1998). Corporate Decision No. 99-03 (December 21, 1998).

### **Selling OREO.**

Bank may dispose of OREO by entering into a transaction that is a sale under GAAP, or involves a loan guaranteed by the United States or one of its agencies or a loan eligible for purchase by a Federally-sponsored instrumentality, or by selling pursuant to a land contract. 12 C.F.R. § 34.83(a)(1).

### **Services for Homeowners' Associations.**

Bank may provide financial consulting services including various types of review and analyses required under state law for homeowner associations and their management companies, including projections for future reserve needs, timing of contributions, and economic forecasts. Interpretive Letter, 1987 WL 149774 (August 20, 1987).

### **Shared Appreciation Mortgage Loans.**

Bank may make a shared appreciation mortgage loan to a developer for the conversion of residential property into condominium units and receive a fixed amount or percentage of the sales price of each unit sold as a share of the profit, income and earnings; and, the bank may finance the acquisition or improvement of real property on which the borrower will operate its business and receive a percentage of the appreciation of the business's value as interest on the loan. Interpretive Letter No. 244, reprinted in [1983-1984 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,408, 1982 WL 54149, 1982 OCC Ltr. LEXIS 18 (January 28, 1982); 12 C.F.R. § 7.1006.

### **Sharing Employees**

Banks may engage in brokerage activities through employees shared with an unaffiliated third party. Interpretive Letter No. 630, reprinted in [1993-1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,513 (May 11, 1993). Bank may sell insurance, securities, annuities through employees shared with an unaffiliated third party. Interpretive Letter No. 680, reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,628 (July 26, 1995).

### **Sharing Premises.**

Bank may share premises with other businesses by leasing its excess space to other businesses, including other banks or financial institutions, by sharing space jointly held or by offering its services in space owned by or leased to other businesses. 12 C.F.R. § 7.3001.

### **Small Business Administration Guaranteed Pool Certificates - Purchase and Sale, Dealing, and Underwriting.**

Bank may deal in, underwrite, purchase, sell and hold for its own account SBA-guaranteed pool certificates without limitation. 12 U.S.C. § 24(Seventh); 12 C.F.R. § 1.3(a); Interpretive Letter No. 373, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,543, 1986 WL 85080, 1986 OCC Ltr. LEXIS 17 (November 13, 1986).

### **Small Business Administration Loans - Purchase and Sale.**

Bank may purchase and sell for its own account SBA guaranteed portions of loans as part of the SBA's secondary market program. Interpretive Letter No. 141, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,222, 1980 WL 48447, 1980 OCC Ltr. LEXIS 28 (May 19, 1980).

### **Split Dollar Life Insurance.**

Bank, as a means to provide retirement and/or death benefits, may purchase split dollar life insurance on an officer or director, under which the bank and the officer or director share the rights to the policy's cash surrender value and death benefits and may share premium payments. Split dollar life insurance may also be used as an estate planning tool for insiders and to fund buy-sell arrangements between the bank and insiders. OCC Bulletin No. 96-51, 4 Fed. Banking L. Rep. (CCH) ¶ 35-491, 1996 WL 560115, 1996 OCC CB LEXIS 92 (September 20, 1996).

### **Standby Letters of Credit - Generally.**

Bank may issue a standby letter of credit subject to conditions and limitations. 12 C.F.R. § 7.1016.

### **Standby Letters of Credit - Industrial Revenue Bonds.**

Bank, in connection with its private placement advisory services, may issue standby letter of credit to support an industrial revenue bond issue. Interpretive Letter No. 212, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,293, 1981 WL 50490, 1981 OCC Ltr. LEXIS 27 (July 2, 1981).

### **Standby Letters of Credit - Mortgage-Backed Securities.**

Bank may issue standby letter of credit as a substitute for mortgage guarantee insurance and special hazards insurance in connection with its sale of mortgage-backed pass-through certificates. Interpretive Letter No. 132, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,213, 1980 WL 42040, 1980 OCC Ltr. LEXIS 47 (February 1, 1980).

### **Standby Letters of Credit - Municipal Bond Insurance.**

Bank's operating subsidiary may offer standby letters of credit, in the form of municipal bond insurance, to support municipal bond issues. Interpretive Letter No. 338, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,508, 1985 WL 73130, 1985 OCC Ltr. LEXIS 23 (May 2, 1985). American Insurance Association v. Clarke, 865 F. 2d 278, D.C. Cir. 1988 (1988 U.S. App. LEXIS 11 516).

### **Standby Letters of Credit - Private Placement Advisory Services.**

Bank may issue standby letter of credit in connection with its private placement advisory services to support an industrial revenue bond issue. Interpretive Letter No. 212, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,293, 1981 WL 50490, 1981 OCC Ltr. LEXIS 27 (July 2, 1981).

### **Standby Letters of Credit - Residential Mortgage Revenue Bonds.**

Bank may issue a standby letter of credit to support a residential mortgage revenue bond issuance. Interpretive Letter No. 144, reprinted in [1981-1982 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,225, 1980 WL 42017, 1980 OCC Ltr. LEXIS 45 (June 10, 1980).

### **State and Political Subdivision Obligations - Purchase and Sale, Dealing, and Underwriting.**

Bank may deal in, underwrite, purchase, sell and hold without limitation general obligations of any State or of any political subdivision thereof. 12 U.S.C. § 24(Seventh); 12 C.F.R. § 1.3(a); Interpretive Letter No. 65, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,140, 1978 WL 21856, 1978 OCC Ltr. LEXIS 11 (October 5, 1978).

### **State Issued Obligations for Housing, University, or Dormitory Purposes Purchase and Sale, Dealing, and Underwriting.**

Bank may deal in, underwrite, purchase and sell obligations issued by any State or political subdivision thereof for housing, university, or dormitory purposes in an amount up to 10% of the bank's capital and surplus. 12 U.S.C. § 24(Seventh); 12 C.F.R. § 1.3(b), § 1.130.

### **Stock Acquired in Settlement of DPC.**

Bank may purchase additional stock to prevent additional loss where bank has first acquired stock in settlement of debts previously contracted so long as stock is acquired primarily as a means of preventing or limiting loan losses. Interpretive Letter No. 444, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,668, 1988 WL 284843, 1988 OCC Ltr. LEXIS 71 (August 11, 1988).

### **Stock Exchange - Membership in.**

Bank's operating subsidiary may purchase a seat on the American Stock Exchange and become a member of the exchange for the purpose of purchasing and selling U.S. Treasury securities, so long as the exchange confirms that the liability of the operating subsidiary will be limited to its capital. Interpretive Letter, 1986 WL 143947 (May 21, 1986).

### **Stock Warrants.**

Bank may take as consideration for a loan stock warrants issued by a borrower,

provided bank does not exercise warrants. Bank may establish an operating subsidiary that will enter into two tandem limited partnerships, one of which will make commercial loans in connection with highly leveraged transactions, while the other will hold stock warrants as "equity kickers" in connection with such loans. 12 C.F.R. § 7.1006; Interpretive Letter No. 517, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,228, 1990 WL 364903, 1990 OCC Ltr. LEXIS 40 (August 16, 1990).

### **Student Loan Marketing Association Obligations - Purchase and Sale, Dealing, and Underwriting.**

Bank may deal in, underwrite, purchase and sell without limitation obligations or other instruments or securities of the Student Loan Marketing Association. 12 U.S.C. § 24 (Seventh); 12 C.F.R. § 1.3(a).

### **Swap Activities**

See "Derivatives". Subject to limitations, bank may act as principal in matched and unmatched commodity price index, interest rate, and currency swaps. No Objection Letter No. 90-1, [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,095, 1990 WL 538994, 1990 OCC Ltr. LEXIS 6 (February 16, 1990). Interpretive Letter No. 652, reprinted in [1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,600 (September 13, 1994)(equity index swaps).

### **Sweeps.**

Bank may offer commercial customer a sweep product where funds are swept from a type of interest bearing money market demand account. Interpretive Letter No. 760, reprinted in [1996-1997 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-124 (August 21, 1996). Bank's operating subsidiary may provide a sweep arrangement in which it would, at the request of a customer, invest proceeds from the sale of securities in a money market fund and withdraw fund monies to purchase securities for the customer. Interpretive Letter No. 326, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,496, 1985 WL 73120, 1985 OCC Ltr. LEXIS 20 (January 17, 1985).

### **Tax Auditing Representation - Sale.**

Bank may engage in selling a tax auditing representation service to its customers, so long as the bank does not serve as an expert tax consultant. Interpretive Letter No. 437, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,661, 1988 WL 284811, 1988 OCC Ltr. LEXIS 95 (July 27, 1988).

### **Tax Return Preparation.**

Bank may assist its customers in preparing their income tax returns for a reasonable fee or gratuitously, but may not serve as an expert tax consultant. 12 C.F.R. § 7.1008.

### **Tennessee Valley Authority Obligations - Purchase and Sale, Dealing, and Underwriting.**

Bank may deal in, underwrite, purchase and sell bonds, notes and other obligations issued by the Tennessee Valley Authority in an amount up to 10% of the bank's capital and surplus. 12 U.S.C. § 24(Seventh); 12 C.F.R. § 1.3(b).

### **Title Abstract Services.**

Bank may provide title abstract services to customers as permissible use of excess capacity and may provide abstracting services for itself and other financial institutions. Corporate Decision No. 98-26, 1998 OCC Ltr. LEXIS 41 (April 21, 1998). Bank may conduct title

searches, arrive at title opinions, and perform surveying work in conjunction with its real estate loan business. Interpretive Letter No. 450, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,674, 1988 WL 284822, 1988 OCC Ltr. LEXIS 78 (September 22, 1988).

### **Title Insurance Activities.**

Bank may engage in title insurance agency activities from a place with a population of less than 5,000. 12 U.S.C. § 92. Decision 99-06 (January 29, 1999). A bank may sell and underwrite credit-related title insurance. Interpretive Letter 377, reprinted in [1988-1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,601 (February 6, 1987); Interpretive Letter 368, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,538 (July 11, 1986). *But see, American Land Title Association v. Clarke*, 968 F. 2d 150, (2nd Cir. 1992) cert. denied, 113 S. Ct. 2959 (1993)(national banks may only sell title insurance under 12 U.S.C. § 92).

### **Transfer Agent.**

Bank may act as transfer agent for corporate debt and equity issues and municipal securities. Trust Interpretation No. 202, reprinted in [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,005, 1989 WL 303721, 1989 OCC Ltr. LEXIS 17 (February 15, 1989).

### **Travel Agency Activities.**

Bank may arrange short trips for travel club members where club is comprised of depositors over age 55 so long as travel service is clearly only a promotional activity on the part of the bank. Interpretive Letter, 1986 WL 144002 (April 16, 1986).

### **Travel Services.**

Bank may provide travel related services that are incidental to banking (e.g., selling traveler's checks and foreign currency, making travel loans and providing gratis travel information) but may not operate a full-scale travel agency. Interpretive Letter, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,012, 1977 WL 23246, 1977 OCC Ltr. Lexis 79 (August 12, 1977).

### **Travel-Related Company - Contracting.**

Bank may enter into a marketing arrangement with an unaffiliated tour operator whereby, in return for a commission, the bank would furnish the tour operator with names and addresses of certain bank customers and also send letter introducing the customers to the tour operator and its programs. Interpretive Letter No. 339, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,509, 1985 WL 73131, 1985 OCC Ltr. LEXIS 13 (May 16, 1985).

### **Treasury Bill Futures Market Participation.**

Bank may participate in T-bill futures markets, subject to conditions outlined in OCC Banking Circular 79. Interpretive Letter, reprinted in [1978-1979 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,037, 1977 WL 23273, 1977 OCC Ltr. Lexis 50 (September 21, 1977).

### **Trust Powers.**

Bank may engage in trust activities pursuant to 12 U.S.C. § 92a, subject to conditions and limitations. 12 U.S.C. § 92a; 12 C.F.R. §§ 9.1-9.100.

### **U.S. Postal Service Obligations - Purchase and Sale, Dealing, and**



## **Underwriting.**

Bank may deal in, underwrite, purchase and sell obligations issued by the United States Postal Service in an amount up to 10% of the bank's capital and surplus. 12 U.S.C. § 24(Seventh); 12 C.F.R. § 1.3(b).

## **Unit Investment Trusts - Purchase and Sale.**

Bank may purchase or sell units in Unit Investment Trusts as agent without recourse upon the order of its customers. Interpretive Letter No. 363, reprinted in [1985-1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,533, 1986 WL 85092, 1986 OCC Ltr. LEXIS 6 (May 23, 1986).

## **Vault Services.**

Bank may offer vault, lock and ATM services to other financial institutions as correspondent services. No-Objection Letter No. 90-3, reprinted in [1990-1991 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,207, 1990 WL 364783, 1990 OCC Ltr. LEXIS 24 (May 2, 1990).

## **Vehicle Service Contracts**

Bank may sell vehicle service contracts to customers who use home equity proceeds to purchase their vehicles. Interpretive Letter No. 671, reprinted in [1994-1995 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,619 (July 10, 1995); Interpretive Letter No. 724 reprinted in [1995-1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-039 (April 22, 1996).

## **Veterans Housing Loans.**

Bank can make certain housing loans to qualified veterans that will be guaranteed. 38 U.S.C. § 3702(d).

## **Washington Metropolitan Area Transit Authority Obligations - Purchase of, Dealing in, and Underwriting.**

Bank may purchase, deal in and underwrite without limitation obligations of the Washington Metropolitan Area Transit Authority which are guaranteed by the Secretary of Transportation under Section 9 of the National Capital Transportation Act of 1969 (D.C. Code § 1-2458). 12 U.S.C. § 24(Seventh).